

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67881; File No. SR-NYSEArca-2012-101)

September 18, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to List and Trade Shares of the PowerShares S&P 500 Downside Hedged Portfolio under NYSE Arca Equities Rule 8.600

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that, on September 6, 2012, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of the PowerShares S&P 500 Downside Hedged Portfolio under NYSE Arca Equities Rule 8.600. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the PowerShares S&P 500 Downside Hedged Portfolio (“Fund”) under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares³ on the Exchange.⁴ The Shares will be offered by PowerShares Actively Managed Exchange-Traded Fund 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.⁵

³ A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index, or combination thereof.

⁴ The Commission approved NYSE Arca Equities Rule 8.600 and the listing and trading of certain funds of the PowerShares Actively Managed Exchange-Traded Fund Trust on the Exchange pursuant to Rule 8.600 in Securities Exchange Act Release No. 57619 (April 4, 2008), 73 FR 19544 (April 10, 2008) (SR-NYSEArca-2008-25). The Commission also previously approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 62502 (July 15, 2010), 75 FR 42471 (July 21, 2010) (SR-NYSEArca-2010-57) (order approving listing of AdvisorShares WCM/BNY Mellon Focused Growth ADR ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving listing of Cambria Global Tactical ETF); and 66343 (February 7, 2012), 77 FR 7647 (February 13, 2012) (SR-NYSEArca-2011-85) (order approving listing of five SPDR SSgA ETFs).

⁵ The Trust is registered under the 1940 Act. On August 14, 2012, the Trust filed with the Commission a post-effective amendment to Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and under the 1940 Act relating to the Fund (File Nos. 333-

The investment adviser to the Fund is Invesco PowerShares Capital Management LLC (“Adviser”). Invesco Distributors, Inc. (“Distributor”) serves as the distributor of the Fund Shares. The Bank of New York Mellon Corporation (“Administrator,” “Transfer Agent,” or “Custodian”) serves as administrator, custodian, and transfer agent for the Fund.

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. In addition, Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio.⁶ Commentary .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to

147622 and 811-22148) (“Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 28171 (February 27, 2008) (File No. 812-13386) (“Exemptive Order”).

⁶ 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 its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a

NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 in connection with the establishment of a “fire wall” between the investment adviser and the broker-dealer reflects the applicable open-end fund’s portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is affiliated with a broker-dealer and has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio. In the event (a) the 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.

Description of the Fund

According to the Registration Statement, the Fund will be an actively managed exchange-traded fund that will seek to achieve positive total returns in rising or falling markets that are not directly correlated to broad equity or fixed income market returns.

According to the Registration Statement, the Fund will seek to achieve its investment objective by using a quantitative, rules-based strategy designed to provide returns that correspond to the performance of the S&P 500 Dynamic VEQTOR Index (“Benchmark”).⁷

supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

⁷ The Fund’s Benchmark allocates between equity securities and CBOE Volatility Index futures. The Commission has previously approved listing and trading on the Exchange under Rule 8.200, Commentary .02, of exchange traded products with Chicago Board Options Exchange (“CBOE”) volatility index futures as benchmarks. See, e.g., Securities Exchange Act Release Nos. 65134 (August 15, 2011), 76 FR 52034 (August 19, 2011) (SR-NYSEArca-2011-23) (order approving listing of ProShares Short VIX Short-Term Futures ETF, ProShares Short VIX Mid-Term Futures ETF, ProShares Ultra VIX Short-

As described below, and according to the Registration Statement, the Fund seeks to gain exposure to equity securities contained in the S&P 500 Index, CBOE Volatility Index (“VIX Index”) related instruments (as described in more detail below, “VIX Index Related Instruments”), money market instruments, cash, cash equivalents and futures contracts that track the S&P 500 Index (“E-mini S&P 500 Futures”).

The Benchmark, the VIX Index, and the S&P 500 VIX Short Term Futures Index

The Benchmark is comprised of three types of components at any given time: an equity component, represented by the S&P 500 Index; a volatility component, represented by the S&P 500 VIX Short Term Futures Index (“VIX Futures Index”); and cash, represented by the overnight London Interbank Offered Rate.⁸ The VIX Futures Index utilizes the prices of the first and second month futures contracts based on the VIX Index, replicating a position that rolls the nearest month VIX futures contracts to the next month VIX futures contracts on a daily basis in equal fractional amounts. On any business day, the Benchmark allocates between its equity and volatility components based on a combination of realized volatility and implied volatility trend decision variables, as described further in the table below. While allocations are reviewed daily, these allocations may change on a less frequent basis.

According to the Registration Statement, following the proprietary formula of Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P” or “Index Provider”), under

Term Futures ETF, ProShares Ultra VIX Mid-Term Futures ETF, ProShares UltraShort VIX Short-Term Futures ETF, and ProShares UltraShort VIX Mid-Term Futures ETF); and 63610 (December 27, 2010), 76 FR 199 (January 3, 2011) (SR-NYSEArca-2010-101) (order approving listing of ProShares VIX Short-Term Futures ETF and ProShares VIX Mid-Term Futures ETF).

⁸ See “Standard & Poor’s: S&P 500 Dynamic VEQTOR Index Series Methodology,” S&P Indices, March 2011, available at <http://www.standardandpoors.com/indices/articles/en/us/?articleType=PDF&assetID=1245195033915> (“Benchmark Methodology”), at 4. The description of the Benchmark herein is based, in part, on the Benchmark Methodology.

normal circumstances (i.e., times other than when the Benchmark’s stop-loss process (as described below) is triggered), the allocation to the VIX Futures Index constitutes between 2.5% and 40% of the Benchmark, with equity securities contained in the S&P 500 Index composing the remainder. The allocation to the VIX Futures Index generally increases when realized volatility and implied volatility are higher, and decreases when realized volatility and implied volatility are lower. In the stop-loss process, in the event losses on the Benchmark over the previous five business days are greater than 2%, the Benchmark moves its entire allocation to cash. Unless the stop-loss is in place, the Benchmark is entirely allocated to a combination of the S&P 500 Index and the VIX Futures Index.

The following table provides additional detail on the Benchmark’s target allocation to the VIX Futures Index (“Target Volatility Allocation”) for times other than when the Benchmark’s stop-loss process is triggered:

Realized Volatility (RV_{t-1})	Target Volatility Allocation		
	Implied Volatility Downtrend ($IVT_{t-1}=-1$)	No Implied Volatility Trend ($IVT_{t-1}=0$)	Implied Volatility Uptrend ($IVT_{t-1}=+1$)
Less than 10%	2.5%	2.5%	10.0%
$10\% \leq RV_{t-1} < 20\%$	2.5%	10.0%	15.0%
$20\% \leq RV_{t-1} < 35\%$	10.0%	15.0%	25.0%
$35\% \leq RV_{t-1} \leq 45\%$	15.0%	25.0%	40.0%
More than 45%	25.0%	40.0%	40.0%

Source: Benchmark Methodology, at 4.

For example, if the realized volatility of the previous business day (RV_{t-1}) were 12%, and there were no implied volatility trend (IVT_{t-1}), the target allocation to the VIX Futures Index would be 10.0%. If there were an implied volatility uptrend, the target allocation to the VIX Futures Index would be 15.0%.

As of June 30, 2012, the Benchmark allocation was as follows: 97.5% to the equity component, represented by the S&P 500 Index, and 2.5% to the VIX Futures Index, with 0% allocated to cash.

According to the Registration Statement, the Benchmark's allocation to the VIX Futures Index serves as an implied volatility hedge as volatility historically tends to correlate negatively to the performance of the U.S. equity markets (i.e., rapid declines in the performance of the U.S. equity markets generally are associated with particularly high volatility in such markets). "Implied volatility" is a measure of the expected volatility of the S&P 500 Index that is reflected by the value of the VIX Index. Although the Fund seeks returns comparable to the returns of the Benchmark, the Fund can have a higher or lower exposure to any component within the Benchmark at any time.

The U.S. Index Committee of the Index Provider maintains the Benchmark.⁹ That Committee meets monthly. At each meeting, the Committee reviews pending corporate actions that may affect Benchmark constituents, statistics comparing the composition of the Benchmark to the market, companies that are being considered as candidates for addition to the Benchmark, and any significant market events. In addition, the Committee may revise the Benchmark's policy covering rules for selecting companies, treatment of dividends, share counts, or other matters.

According to the Registration Statement, the VIX Index is a theoretical calculation and cannot be traded. The VIX Index is a benchmark index designed to measure the market price of volatility in large cap U.S. stocks over 30 days in the future, and is calculated based on the prices

⁹ The Index Provider is not a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index.

of certain put and call options on the S&P 500 Index. The VIX Index measures the premium paid by investors for certain options linked to the S&P 500 Index. During periods of market instability, the implied level of volatility of the S&P 500 Index typically increases and, consequently, the prices of options linked to the S&P 500 Index typically increase (assuming all other relevant factors remain constant or have negligible changes). This, in turn, causes the level of the VIX Index to increase. The VIX Index historically has had negative correlations to the S&P 500 Index. Because the level of the VIX Index may increase in times of uncertainty, the VIX Index is known as the “fear gauge” of the broad U.S. equities market.

Investments

According to the Registration Statement, the Fund, in accordance with strategy allocation rules provided by the Index Provider, will invest in a combination of equity securities contained in the S&P 500 Index and that are listed on a U.S. securities exchange; VIX Index Related Instruments; money market instruments; cash; cash equivalents; and E-mini S&P 500 Futures that are listed on the Chicago Mercantile Exchange (“CME”).¹⁰

The allocation among the Fund’s investments will approximate the allocation among the components of the Benchmark. Accordingly, during periods of low volatility, a greater portion of the Fund’s assets will be invested in equity securities, and during periods of increased volatility, a greater portion of the Fund’s assets will be invested in VIX Index Related Instruments. However, the Fund will be actively managed, and, although the Fund will seek performance comparable to the Benchmark, the Fund may have a higher or lower exposure to any component within the Benchmark at any time.

¹⁰ The Fund will be “non-diversified” under the 1940 Act and may invest more of its assets in fewer issuers than “diversified” funds. The diversification standard is set forth in Section 5(b)(1) of the 1940 Act (15 U.S.C. 80a-5).

According to the Registration Statement, VIX Index Related Instruments that the Fund will invest in include listed VIX futures contracts contained in the VIX Futures Index or exchange-traded funds (“ETFs”)¹¹ and exchange-traded notes (“ETNs”)¹² that are listed on a U.S. securities exchange and provide exposure to the VIX Index. All of the VIX Index Related Instruments will be listed on a U.S. exchange.

According to the Registration Statement, futures contracts on the VIX Index have expirations ranging from the near month consecutively out to the tenth month. Futures on the VIX Index provide investors the ability to invest in forward market volatility based on their view of the future direction or movement of the VIX Index. Because the VIX Index is not a tangible item that can be purchased and sold directly, a futures contract on the VIX Index provides for the payment and receipt of cash based on the level of the VIX Index at settlement or liquidation of the contract.

According to the Registration Statement, the Fund may invest a portion of its assets in high-quality money market instruments, cash, and cash equivalents to provide liquidity, to collateralize its futures contracts investments, or to track the Benchmark during times when the Benchmark moves its entire allocation to cash. The instruments in which the Fund may invest include: (i) short-term obligations issued by the U.S. Government;¹³ (ii) short-term negotiable

¹¹ 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.

¹² For purposes of this proposed rule change, ETNs are securities registered under the 1933 Act such as those listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(6).

¹³ According to the Registration Statement, the Fund may invest in short-term obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities, including bills, notes, and bonds issued by the U.S. Treasury, as well as “stripped” or “zero coupon” U.S. Treasury obligations representing future interest or principal payments on U.S. Treasury notes or bonds.

obligations of commercial banks, fixed time deposits, and bankers' acceptances of U.S. and foreign banks and similar institutions; (iii) commercial paper rated at the date of purchase "Prime-1" by Moody's Investors Service, Inc., or "A-1+" or "A-1" by S&P or has a similar rating from a comparable rating agency, or, if unrated, of comparable quality as determined by the Adviser; and (iv) money market mutual funds.

According to the Registration Statement, the Fund also may invest in E-mini S&P 500 Futures that are listed on the CME. E-mini S&P 500 Futures are futures contracts that track the S&P 500 Index. They are substantially similar to traditional futures contracts on the S&P 500 Index, except that the notional value of E-mini S&P 500 Futures are one-fifth the size of their larger counterpart futures contracts.

The Subsidiary

According to the Registration Statement, the Fund may gain exposure to the VIX Index futures markets through investments in a subsidiary organized in the Cayman Islands ("Subsidiary"). Should the Fund invest in the Subsidiary, that investment may not exceed 25% of the Fund's total assets at the end of each tax year quarter. The Subsidiary would be wholly-owned and controlled by the Fund, and its investments would be consolidated into the Fund's financial statements. The Fund's and Subsidiary's investments would be disclosed on the Fund's website on a daily basis. Should the Fund invest in the Subsidiary, it would be expected to provide the Fund with exposure to investment returns from VIX Index futures contracts within the limits of the federal tax requirements applicable to investment companies, such as the Fund.

The Subsidiary would be able to invest in VIX Index futures, as well as other investments that would serve as margin or collateral or otherwise support the Subsidiary's VIX Index futures positions. The Subsidiary would be subject to the same general investment policies and

restrictions as the Fund, except that, unlike the Fund (which is subject to Rule 4.5 of the Commodity Exchange Act (“CEA”)), the Subsidiary would be able to invest without limitation in VIX Index futures and may use leveraged investment techniques. Otherwise, references to the investment strategies of the Fund for non-equity investments include the investment strategies of the Subsidiary.

According to the Registration Statement, the Fund may utilize the Subsidiary, but is not required to do so. If it is utilized, the Subsidiary will not be registered under the 1940 Act. The Fund, as the sole shareholder of the Subsidiary, will not have the protections offered to investors in registered investment companies. However, according to the Registration Statement, because the Fund wholly owns and controls the Subsidiary, and the Fund and the Subsidiary will be managed by the Adviser, it is unlikely that the Subsidiary will take action contrary to the interests of the Fund or the Fund’s shareholders. The Board of Trustees of the Trust (“Board”) will have oversight responsibility for the investment activities of the Fund, including its investment in the Subsidiary, and the Fund’s role as the sole shareholder of the Subsidiary. Also, in managing the Subsidiary’s portfolio, the Adviser will be subject to the same investment restrictions and operational guidelines that apply to the management of the Fund.

Other Investments

According to the Registration Statement, in addition to the VIX Index futures contracts and E-mini S&P 500 Futures that are part of its primary investments, the Fund may enter into other U.S. listed futures contracts on the S&P 500 Index. The Fund will not use futures for speculative purposes. The Fund will only enter into futures contracts that are traded on U.S. exchanges.

According to the Registration Statement, the Fund may invest in stock index contracts, in addition to the E-mini S&P 500 Futures. Stock index contracts are futures based on indices that reflect the market value of common stock of the firms included in the indices. The Fund may enter into U.S. listed futures contracts to purchase security indices when the Adviser anticipates purchasing the underlying securities and believes prices will rise before the purchase will be made.

According to the Registration Statement, to the extent the Fund uses futures it will do so only in accordance with Rule 4.5 of the CEA.¹⁴ Under recently adopted amendments to Rule 4.5, an investment adviser of a registered investment company may claim exclusion from registration as a commodity pool operator (“CPO”) only if the registered investment company it advises uses futures contracts solely for “bona fide hedging purposes” or limits its use of futures contracts for non-bona fide hedging purposes in specified ways. Because the Fund does not expect to use futures contracts solely for “bona fide hedging purposes,” effective December 31, 2012, the Fund will be subject to rules that will require it to limit its use of positions in futures contracts in accordance with the requirements of amended Rule 4.5, unless it otherwise complies with CPO regulation.

According to the Registration Statement, the Fund may enter into repurchase agreements, which are agreements pursuant to which securities are acquired by the Fund from a third party with the understanding that they will be repurchased by the seller at a fixed price on an agreed date. These agreements may be made with respect to any of the portfolio securities in which the Fund is authorized to invest. Repurchase agreements may be characterized as loans secured by

¹⁴ 7 U.S.C. 1 et seq. The Trust, on behalf of the Fund, has filed a notice of eligibility for exclusion from the definition of the term “commodity pool operator” or “CPO” in accordance with Rule 4.5 of the CEA so that the Fund is not subject to registration or regulation as a CPO under the CEA.

the underlying securities. The Fund may enter into repurchase agreements with (i) member banks of the Federal Reserve System having total assets in excess of \$500 million and (ii) securities dealers (“Qualified Institutions”). The Adviser will monitor the continued creditworthiness of Qualified Institutions.

According to the Registration Statement, the Fund may enter into reverse repurchase agreements, which involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date, and interest payment and have the characteristics of borrowing. The securities purchased with the funds obtained from the agreement and securities collateralizing the agreement will have maturity dates no later than the repayment date.

In addition to the ETFs and ETNs that are listed on U.S. exchanges and provide exposure to the VIX Index, the Fund may invest in the securities of other investment companies (including money market funds) to the extent permitted under the 1940 Act.

According to the Registration Statement, the Fund also may purchase warrants.

The Fund does not expect to invest in options or enter into swap agreements, including credit default swaps, but may do so if such investments are in the best interests of the Fund’s shareholders.

Investment Restrictions

The Fund’s investments will be consistent with the Fund’s investment objective and will not be used to enhance leverage.

According to the Registration Statement, the Fund will not invest in equities that are traded over-the-counter (“OTC”) or equities listed on a non-U.S. exchange, or enter into futures that are not traded on a U.S. exchange.

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 144A Securities.¹⁵ 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 and other illiquid assets.

According to the Registration Statement, the Fund may not concentrate its investments (i.e., invest more than 25% of the value of its total assets in securities of issuers in any one industry or group of industries). This restriction does not apply to obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.¹⁶

The Fund intends to qualify for and to elect to be treated as a separate regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code.¹⁷

¹⁵ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the ETF. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the 1933 Act).

¹⁶ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

¹⁷ 26 U.S.C. 851. To qualify for treatment as a RIC, the Fund must meet three tests each year. First, at least 90% of the Fund's gross income for each taxable year must be

Net Asset Value

According to the Registration Statement, the Administrator will calculate the Fund's net asset value ("NAV") at the close of regular trading (normally 4:00 p.m., Eastern time ("E.T.)) every day the New York Stock Exchange ("NYSE") is open. NAV will be calculated by deducting all of the Fund's liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent. All valuations are subject to review by the Board or its delegate.

According to the Registration Statement, in determining NAV, expenses will be accrued and applied daily and securities and other assets for which market quotations are readily available will be valued at market value. Securities listed or traded on an exchange generally are valued at the last sales price or official closing price that day as of the close of the exchange where the security is primarily traded. Money market securities maturing in 60 days or less will be valued at amortized cost. If a security's market price is not readily available, the security will be valued using pricing provided from independent pricing services or by another method that

derived from qualifying income, *i.e.*, dividends, interest, income derived from loans of securities, gains from the sale of securities or of foreign currencies or other income derived with respect to the Fund's business of investing in securities (including net income derived from an interest in certain "qualified publicly traded partnerships"). Second, generally, at the close of each quarter of the Fund's taxable year, at least 50% of the value of the Fund's assets must consist of cash and cash items, U.S. government securities, securities of other regulated investment companies, and securities of other issuers as to which (a) the Fund has not invested more than 5% of the value of its total assets in securities of the issuer, and (b) the Fund does not hold more than 10% of the outstanding voting securities of the issuer, and no more than 25% of the value of the Fund's total assets may be invested in the securities of (1) any one issuer (other than U.S. government securities and securities of other regulated investment companies), (2) two or more issuers that the Fund controls and which are engaged in the same or similar trades or businesses, or (3) one or more qualified publicly traded partnerships. Third, the Fund must distribute an amount equal to at least the sum of 90% of its investment company taxable income (net investment income and the excess of net short-term capital gain over net long-term capital loss), before taking into account any deduction for dividends paid, and 90% of its tax-exempt income, if any, for the year.

the Adviser, in its judgment, believes will better reflect the security's fair value in accordance with the Trust's valuation policies and procedures approved by the Board.

According to the Registration Statement, where market quotations are not readily available, including where the Adviser determines that the closing price of the security is unreliable, the Adviser will value the security at fair value in good faith using procedures approved by the Board. Fair value pricing involves subjective judgments and it is possible that a fair value determination for a security is materially different than the value that could be realized upon the sale of the security.

Initial and Continued Listing

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. The Exchange represents that, for initial and/or continued listing, the Fund must be in compliance with Rule 10A-3 under the Exchange Act,¹⁸ as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for the Fund will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

Creation and Redemption of Shares

The Fund will issue and redeem Shares at NAV only with authorized participants ("APs") and only in large blocks of 50,000 Shares (each block of Shares is called a "Creation Unit") or multiples thereof. The Fund will issue and redeem Creation Units for cash calculated based on the NAV per Share, multiplied by the number of Shares representing a Creation Unit

¹⁸ See 17 CFR 240.10A-3.

(“Deposit Cash”), plus fixed and variable transaction fees; however, the Fund also reserves the right to permit or require Creation Units to be issued in exchange for a designated portfolio of securities (“Deposit Securities”), as discussed below, together with the deposit of an amount of cash (“Cash Component”) computed as discussed below.

The Trust will issue Shares of the Fund only in Creation Units on a continuous basis through the Distributor, without a sales load, at the NAV next determined after receipt, on any day on which NYSE is open for business (“Business Day”), of an order in proper form.

If in-kind creations are permitted or required, to the extent practicable (as described below), an investor must deposit the Deposit Securities per each Creation Unit constituting a substantial replication of the securities included in the Benchmark (“Fund Securities”) and a Cash Component, computed as discussed below. Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. If in-kind creations are permitted or required, the Adviser expects that the Deposit Securities should correspond pro rata, to the extent practicable, to the securities held by the Fund. The Cash Component is sometimes also referred to as the “Balancing Amount.” The Cash Component serves the function of compensating for any differences between the NAV per Creation Unit and an amount equal to the market value of the Deposit Securities (“Deposit Amount”). The Cash Component is an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the Deposit Amount. If the Cash Component is a positive number (i.e., the NAV per Creation Unit exceeds the Deposit Amount), the AP will deliver the Cash Component. If the Cash Component is a negative number (i.e., the NAV per Creation Unit is less than the Deposit Amount), the AP will receive the Cash Component.

To the extent that the Fund permits Creation Units to be issued in-kind, the Custodian, through the National Securities Clearing Corporation (“NSCC”), will make available on each Business Day, prior to the opening of business on the Exchange (currently 9:30 a.m., E.T.), the list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous Business Day) for the Fund. Such Fund Deposit is applicable, subject to any adjustments as described below, to effect creations of Creation Units of the Fund until such time as the next-announced composition of the Deposit Securities is made available.

If applicable, the identity and number of shares of the Deposit Securities required for a Fund Deposit for the Fund will change as rebalancing adjustments and corporate action events occur. In addition, the Trust reserves the right to permit or require the substitution of an amount of cash – i.e., a “cash in lieu” amount – to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or which might not be eligible for trading by an AP or the investor for which it is acting or any other relevant reason.

In addition to the list of names and numbers of securities constituting the current Deposit Securities of a Fund Deposit, the Custodian, through the NSCC, also will make available on each Business Day, the estimated Cash Component, effective through and including the previous Business Day, per Creation Unit of the Fund.

The Distributor must receive all orders to create Creation Units no later than the closing time of the regular trading session on the NYSE, as applicable (“Closing Time”) (ordinarily 4:00 p.m., E.T.) in each case on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

Creation Units of the Fund will be redeemed principally for cash (“Redemption Cash”). Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Transfer Agent and only on a Business Day.

If the Fund permits Creation Units to be redeemed in-kind, the Custodian, through the NSCC, will make available prior to the opening of business on the Exchange (currently 9:30 a.m., E.T.) on each Business Day, the identity of the Fund Securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as described below) on that day. Fund Securities received on redemption may not be identical to Deposit Securities that will be applicable to creations of Creation Units.

For redemptions in-kind, the redemption proceeds for a Creation Unit generally will consist of Fund Securities plus or minus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less a redemption transaction fee as noted below. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the difference is required to be made by or through an AP by the redeeming shareholder.

A redemption transaction fee is imposed to offset transfer and other transaction costs that may be incurred by a Fund.

An order to redeem Creation Units must be made in proper form and received by the Trust by 4:00 p.m., E.T. Orders received after 4:00 p.m., E.T. will be deemed received on the next business day and will be effected at the NAV next determined on such next business day.

Availability of Information

The Fund's website (www.invescopowershares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund's website will include additional quantitative information updated on a daily basis, including, for the Fund, (1) daily trading volume, the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV ("Bid/Ask Price"),¹⁹ and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio (as defined in NYSE Arca Equities Rule 8.600(c)(2)) held by the Fund and the Subsidiary that will form the basis for the Fund's calculation of NAV at the end of the business day.²⁰

On a daily basis, the Adviser will disclose for each portfolio security and other financial instrument of the Fund and the Subsidiary, if applicable, 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 each security and financial instrument held in the portfolio, and

¹⁹ The Bid/Ask Price of the Fund will be determined using mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

²⁰ Under accounting procedures followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

In addition, for in-kind creations, a basket composition file, which will include the security names and share quantities to deliver in exchange for Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the Exchange via the NSCC. The basket will represent one Creation Unit of the Fund.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and the Trust's Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports will be available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last-sale information for the Shares will be available via the Consolidated Tape Association ("CTA") high-speed line. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.²¹ The dissemination of the Portfolio Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of the Fund on a daily basis and will provide a close estimate of that value throughout the trading day. The intra-day, closing and settlement prices of the portfolio investments (e.g.,

²¹ Currently, it is the Exchange's understanding that several major market data vendors widely disseminate Portfolio Indicative Values taken from CTA or other data feeds.

futures contracts, equity securities, ETFs and ETNs) are also 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.

Additional information regarding the Trust and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions, and taxes is included in the Registration Statement. All terms relating to the Fund that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.²² Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares

²² See NYSE Arca Equities Rule 7.12, Commentary .04.

will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m., E.T. in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation (“MPV”) for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

Surveillance

The Exchange intends to utilize its existing surveillance procedures applicable to derivative products (which include Managed Fund Shares) to monitor trading in the Shares. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws.

The Exchange’s current trading surveillance focuses on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

All equity securities, ETFs, and ETNs in which the Fund invests will be listed on a U.S. securities exchange. The Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other exchanges that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.²³ In addition, the Exchange could

²³ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that

obtain information from the U.S. futures exchanges, all of which are ISG members, on which futures held by the Fund are listed and traded.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit (“ETP”) Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) 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; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated Portfolio Indicative Value will not be calculated or publicly disseminated; (4) how information regarding the Portfolio Indicative Value will be disseminated; (5) 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 (6) trading information.

In addition, the Bulletin will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Exchange Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m., E.T. each trading day.

are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5)²⁴ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Adviser is affiliated with a broker-dealer, and has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio. The Exchange may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The holdings of the fund will be comprised primarily of U.S. equity securities listed on a U.S. securities exchange, VIX Index Related Instruments, money market instruments, cash, cash equivalents and E-mini S&P 500 Futures that are listed on CME. All equity securities, ETFs and ETNs in which the Fund invests will be listed on a U.S. securities exchange. The Fund will not invest in OTC equities or non-U.S. listed equities or enter into futures that are not traded on a U.S. exchange. The Fund will not use futures for speculative purposes. The Fund will limit its investments in illiquid securities

²⁴ 15 U.S.C. 78f(b)(5).

to 15% of its net assets. The Fund's investments will be consistent with the Fund's investment objective and will not be used to enhance leverage. The Fund does not expect to invest in options or enter into swap agreements, including credit default swaps, but may do so if such investments are in the best interests of the Fund's shareholders.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily every day the NYSE is open, and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency. Moreover, the Portfolio Indicative Value will be widely disseminated through the facilities of the CTA or by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. 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, and quotation and last-sale information will be available via the CTA high-speed line. The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, 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. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule

7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which trading in Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last-sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Portfolio Indicative Value, the Disclosed Portfolio, and quotation and last-sale information for the Shares.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2012-101 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NYSEArca-2012-101. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2012-101 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Kevin M. O'Neill
Deputy Secretary

²⁵ 17 CFR 200.30-3(a)(12).