

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69910; File No. SR-NYSEArca-2013-48)

July 2, 2013

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to List and Trade Shares of iShares Dow Jones-UBS Roll Select Commodity Index Trust Pursuant to NYSE Arca Equities Rule 8.200

I. Introduction

On May 1, 2013, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares (“Shares”) of iShares Dow Jones-UBS Roll Select Commodity Index Trust (“Trust”) under NYSE Arca Equities Rule 8.200. On May 3, 2013, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The proposed rule change, as modified by Amendment No. 1 thereto, was published for comment in the Federal Register on May 20, 2013.<sup>4</sup> The Commission received no comments on the proposed rule change. This order grants approval of the proposed rule change, as modified by Amendment No.1 thereto.

II. Description of Proposed Rule Change

The Exchange proposes to list and trade Shares of the Trust pursuant to NYSE Arca Equities Rule 8.200, Commentary .02.<sup>5</sup> The Shares represent beneficial ownership interests in

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

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

<sup>3</sup> In Amendment No. 1, the Exchange made a technical correction and clarified that UBS Securities has implemented a fire wall with respect to its personnel regarding access to information concerning, among other things, the calculation of the values of the Index, DJ-UBS CI, and DJ-UBS Roll Select CI (as such terms are defined below).

<sup>4</sup> See Securities Exchange Act Release No. 69573 (May 14, 2013), 78 FR 29411 (“Notice”).

<sup>5</sup> Commentary .02 to NYSE Arca Equities Rule 8.200 applies to Trust Issued Receipts that

the Trust.<sup>6</sup> The Trust is a Delaware statutory trust. The Trust is operated by iShares<sup>®</sup> Delaware Trust Sponsor LLC (“Sponsor”), a Delaware limited liability company and an indirect subsidiary of BlackRock, Inc. (“BlackRock”). The Sponsor is a commodity pool operator registered with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”). BlackRock Asset Management International Inc., a Delaware corporation and an indirect subsidiary of BlackRock, is the sole member and manager of the Sponsor. BlackRock Institutional Trust Company, N.A., a national banking association, an indirect subsidiary of BlackRock, and an affiliate of the Sponsor, is the trustee of the Trust (“Trustee”). BlackRock Fund Advisors (“Adviser”),<sup>7</sup> a California corporation, an indirect subsidiary of BlackRock, and an affiliate of the Sponsor, serves as the commodity trading advisor of the Trust, is registered as a commodity trading advisor with the CFTC, and is a member of the NFA.<sup>8</sup> State Street Bank and Trust Company, a trust company organized under the laws of Massachusetts, is

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invest in “Financial Instruments.” The term “Financial Instruments,” as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars, and floors; and swap agreements.

<sup>6</sup> See the pre-effective amendment to the registration statement on Form S-1 for the Trust, dated February 8, 2013 (File No. 333-178376) relating to the Shares (“Registration Statement”).

<sup>7</sup> The Adviser is not a broker-dealer but is affiliated with a broker-dealer and has implemented a firewall with respect to such broker-dealer affiliate as well as procedures designed to prevent the use and dissemination of material, non-public information regarding the assets of the Trust.

<sup>8</sup> According to the Sponsor, the Sponsor will be responsible for the overall management of the Trust and the Trustee will be responsible for the day-to-day administration of the Trust. The Adviser will act as the commodity trading advisor for the Trust with discretionary authority to make determinations with respect to the Trust’s assets, but will not engage in any activities designed to obtain a profit from, or ameliorate losses caused by, changes to the level of the underlying index. The Sponsor represents that it will implement and maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the assets of the Trust.

the administrator (“Administrator”) of the Trust.

The investment objective of the Trust will be to seek investment results that correspond generally, but are not necessarily identical, to the performance of the Dow Jones-UBS Roll Select Commodity Index Total Return (“Index”), which reflects the returns on a fully collateralized investment in the Dow Jones-UBS Roll Select Commodity Index (“DJ-UBS Roll Select CI”), before the payment of expenses and liabilities of the Trust. The DJ-UBS Roll Select CI is calculated based on the same commodities, though not always the same futures contracts, that are included in the Dow Jones-UBS Commodity Index (“DJ-UBS CI”). The DJ-UBS CI is a liquidity- and production-weighted index of the prices of a diversified group of futures contracts on physical commodities. The DJ-UBS CI forms the base commodities index from which the DJ-UBS Roll Select CI and the Index are derived.

The assets of the Trust will consist of long positions in Futures Exchange<sup>9</sup>-traded futures contracts of various expirations (“Index Futures”)<sup>10</sup> on the DJ-UBS Roll Select CI, together with cash, U.S. Treasury securities, or other short-term securities and similar securities that are eligible as margin deposits for those Index Futures positions (“Collateral Assets”).<sup>11</sup> The Trust is expected to roll out of existing positions and establish new positions in Index Futures on an

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<sup>9</sup> As used herein, “Futures Exchange” means the Chicago Mercantile Exchange (“CME”) or one of the CME Group Inc.’s other designated contract markets, or any additional or successor designated contract markets through which the Trust trades Index Futures (as defined herein). The designated contract markets of the CME Group Inc. are the CME, Chicago Board of Trade (“CBOT”), New York Mercantile Exchange Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”).

<sup>10</sup> The Trust’s Index Futures will be subject to the rules of the relevant Futures Exchange, which will initially be CME. The Index Futures will initially trade on GLOBEX, the CME’s electronic trading system, and are not expected to trade through open outcry on the floor of the CME.

<sup>11</sup> The Sponsor represents that the Trust will invest in Index Futures and Collateral Assets, in a manner consistent with the Trust’s investment objective and not to achieve additional leverage.

ongoing basis.<sup>12</sup>

In order to collateralize its Index Futures positions and to reflect the U.S. Treasury component of the Index, the Trust will hold Collateral Assets, from which it will post margin to its clearing futures commission merchant (“Clearing FCM”), in an amount equal to the margin required by the relevant Futures Exchange, and transfer to its Clearing FCM any additional amounts that may be separately required by the Clearing FCM.<sup>13</sup> Any Collateral Assets not required to be posted as margin with the Clearing FCM will be held in the Trust’s accounts established at its Administrator.

The Trust will be a passive investor in Index Futures and the Collateral Assets held to satisfy applicable margin requirements on those Index Futures positions. At any time when Index Futures of more than one expiration date are listed on the Futures Exchange, the Sponsor will determine, pursuant to the terms of the trust agreement, which Index Futures of a given expiration will be transferred into or out of the Trust in connection with either the creation or redemption of Shares. The Adviser will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the level of the Index or the DJ-UBS Roll Select CI or the value of the Collateral Assets.

The profit or loss on the Trust’s Index Futures positions should correlate with increases and decreases in the value of the DJ-UBS Roll Select CI, although this correlation is not

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<sup>12</sup> The Index Futures initially held by the Trust will have quarterly expirations and be listed for trading by the CME. Subsequent Index Futures held by the Trust may have longer or shorter expirations, different terms, and may be listed on other Futures Exchanges.

<sup>13</sup> When establishing positions in Index Futures, the Trust will be required to deposit initial margin with a value of approximately 3% to 10% of the value of each Index Futures position at the time it is established. These margin requirements are subject to change from time to time by the Exchange or the Clearing FCM. On a daily basis, the Trust will be obligated to pay, or entitled to receive, variation margin in an amount equal to the change in the daily settlement level of its Index Futures positions.

expected to be exact. The return on the Index Futures, together with interest on the Collateral Assets, is expected to result in a total return that corresponds generally, but is not identical, to the Index.

#### The Index, DJ-UBS CI, and DJ-UBS Roll Select CI

The Index reflects the value of the DJ-UBS Roll Select CI together with the returns on specified U.S. Treasury securities that are deemed to have been held to collateralize a hypothetical long position in the futures contracts comprising the DJ-UBS Roll Select CI.

The DJ-UBS Roll Select CI is calculated based on the same commodities, though not always the same futures contracts, that are included in the DJ-UBS CI, which is a liquidity- and production-weighted index of the prices of a diversified group of futures contracts on physical commodities. The DJ-UBS Roll Select CI seeks to minimize the effect of contango and maximize the effect of backwardation by selecting replacement futures contracts that exhibit the most backwardation or least contango among those eligible futures contracts with delivery months of up to 273 calendar days until expiration.<sup>14</sup>

The DJ-UBS Roll Select CI incorporates the economic effect of “rolling” the futures contracts included in the applicable index and the DJ-UBS CI reflects the economic effect of “rolling” futures contracts into front-month futures contracts. “Rolling” a futures contract means closing out a position in an expiring futures contract and establishing an equivalent position in a new futures contract on the same commodity.

The DJ-UBS Roll Select CI differs from the DJ-UBS CI in that it does not roll into the futures contract with the nearest designated delivery month. Rather, the DJ-UBS Roll Select CI

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<sup>14</sup> Markets for futures contracts can exhibit “backwardation,” which means that futures contracts with distant delivery months are priced lower than those with nearer delivery months, or can exhibit “contango,” which means that futures contracts with distant delivery months are priced higher than those with nearer delivery months.

rolls into those eligible futures contracts with delivery months of up to 273 calendar days until expiration that exhibit the most backwardation or that exhibit the least contango.

The DJ-UBS Roll Select CI, the DJ-UBS CI, and the Index are administered, calculated, and published by UBS Securities LLC (“UBS Securities”) and DJI Opco, LLC, a wholly-owned subsidiary of S&P Dow Jones Indices LLC (“S&P Dow Jones Indices” and, together with UBS Securities, “Index Co-Sponsors”).<sup>15</sup>

#### The DJ-UBS CI

The DJ-UBS CI, on which the DJ-UBS Roll Select CI is based, was created by AIG International Inc. in 1998 and acquired by UBS Securities in May 2009, at which time UBS Securities and Dow Jones entered into a joint marketing agreement to market the DJ-UBS CI and related indices. Dow Jones subsequently assigned its interest in the joint marketing agreement to CME Indexes. The Index Co-Sponsors are together responsible for calculating the DJ-UBS CI and related indices and sub-indices, including the Index and the DJ-UBS Roll Select CI.

The DJ-UBS CI is a benchmark index composed of futures contracts on the underlying physical commodities, the selection and weighting of which are currently determined based on the five-year average of the trading volume, adjusted by the historic U.S. dollar value of the futures contract designated for inclusion in the DJ-UBS CI, and the five-year average of production figures, adjusted by the historic U.S. dollar value of the futures contract designated

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<sup>15</sup> According to the Sponsor, S&P Dow Jones Indices and its subsidiary DJI Opco, LLC are not broker-dealers and UBS Securities is a broker-dealer. UBS Securities has implemented a fire wall with respect to its personnel regarding access to information concerning the composition and/or changes to the Index, DJ-UBS CI, and DJ-UBS Roll Select CI and the calculation of the values of the foregoing indexes, and will be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the Index, DJ-UBS CI, and DJ-UBS Roll Select CI. The Index Co-Sponsors have implemented and maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the DJ-UBS Roll Select CI, the DJ-UBS CI, and the Index.

for inclusion in the DJ-UBS CI. For each of the included commodities, specified futures contracts with specified delivery dates are designated for inclusion in the DJ-UBS CI. The DJ-UBS CI is reweighted and rebalanced annually, on a price-percentage basis, to reflect changes in trading volume and production figures.

The DJ-UBS CI reflects the increased or decreased return associated with “rolling” futures contracts. The DJ-UBS CI reflects the economic impact of the roll process by reducing the weights applied to expiring futures contracts while correspondingly increasing the weights applied to the futures contracts that are replacing such expiring futures contracts. This roll simulation is generally conducted at the beginning of each month over the course of five business days, lasting from the sixth business day until the tenth business day of each month. The DJ-UBS CI conducts its roll simulations each month by rolling out of the designated futures contracts expiring in that month and rolling into those designated futures contracts with the next closest designated delivery month.

#### The DJ-UBS Roll Select CI

The DJ-UBS Roll Select CI implements its rolling methodology by selecting from the eligible contracts for each commodity on its applicable “contract selection date,” the contract that exhibits the greatest amount of backwardation or least amount of contango, on an annualized basis, relative to the contract with the immediately preceding delivery date on the same commodity. This is accomplished by first dividing the price of each eligible contract from the price of the contract immediately preceding such eligible contract, to determine the percentage difference between the two prices. Because this price difference may be affected by the relative time between the eligible contract and its immediately preceding contract, this price difference is multiplied by 365 and divided by the number of actual days between the delivery dates of the

two contracts, to arrive at a measure of the relative annualized contango/backwardation, referred to as the “annualized spread,” exhibited between the eligible contract and the contract immediately preceding it. Based on a comparison of these annualized spreads, the eligible contract that has the highest annualized spread relative to its immediately preceding contract is the one selected as the contract for the DJ-UBS Roll Select CI to establish new positions in. This roll selection process generally occurs every month on the fourth business day of the month, subject to changes or adjustments to this process implemented by the Index Co-Sponsors.

The Index Futures in which the Trust will invest will be based on the DJ-UBS Roll Select CI. The DJ-UBS Roll Select CI is a version of the DJ-UBS CI that tries to mitigate the effects of contango arising from the rolling process. Rather than incorporating the economic effect of rolling into futures contracts with the next closest designated delivery month, the DJ-UBS Roll Select CI incorporates the economic effect of rolling into applicable futures contracts that exhibit the least contango or, if applicable, the most backwardation, in each case relative to the contracts of the immediately preceding delivery month.

Because the DJ-UBS Roll Select CI utilizes a different designated contract selection process than the DJ-UBS CI, the futures contracts comprising the DJ-UBS Roll Select CI at any particular time may have different delivery months than those comprising the DJ-UBS CI, and the levels of the DJ-UBS Roll Select CI and the DJ-UBS CI may correspondingly differ. In addition, as a result of this difference in rolling processes, both the performance of the DJ-UBS Roll Select CI and the DJ-UBS CI and the dollar-value weights of their respective underlying futures contracts are expected to differ over time.

#### Determination of DJ-UBS CI Index Constituents

The Index Co-Sponsors have established a two-tier oversight structure for the DJ-UBS



CI, the DJ-UBS Roll Select CI, and the Index comprised of the “Supervisory Committee” and the “Advisory Committee.”<sup>16</sup> The composition of the DJ-UBS CI is determined by UBS Securities each year under the supervision of, and in accordance with the procedures adopted by, the Supervisory Committee. The final composition of the DJ-UBS CI for each calendar year is subject to the approval of the Supervisory Committee in consultation with the Advisory Committee, and once this approval has been obtained, the new composition of the DJ-UBS CI is publicly announced, and takes effect in the month of January of the relevant calendar year.

The relative weight of a commodity eligible for inclusion in the DJ-UBS CI, or its commodity index percentage (“CIP”), is initially determined based on (i) the relative production percentages of the commodities eligible for inclusion in the DJ-UBS CI and (ii) the relative liquidity of the futures contracts that have been designated as the eligible reference contracts for those commodities. This initial CIP calculation is then adjusted to give effect to caps and floors on such CIPs and to adjust the weights for gold and silver, the relative production numbers of which, according to the Dow Jones-UBS Commodity Index<sup>SM</sup> Handbook, last published by the Index Co-Sponsors as of May 2012, understate their economic significance.

The commodities and related designated futures contracts currently included in the DJ-UBS CI and their respective final CIPs for 2013 are as follows:

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<sup>16</sup> The Supervisory Committee and the Advisory Committee are subject to procedures designed to prevent the improper use and dissemination of material, non-public information regarding the Index, DJ-UBS Roll Select CI, and DJ-UBS CI.

<b>Commodity</b>	<b>Designated</b>		<b>Units</b>	<b>CIP**</b>	<b>Trading Hours</b>
	<b>Contract</b>	<b>Exchange*</b>			<b>(E.T.) ***</b>
Aluminum .....	High Grade Primary Aluminum	LME	25 metric tons	4.913%	First session: 6:55AM to 7:00AM, 7:55AM to 8:00AM; second session: 10:15AM to 10:20AM, 10:55AM to 11:00AM
Coffee.....	Coffee "C"	ICE Futures U.S.	37,500 lbs	2.442%	3:30AM to 2:00PM
Copper.....	Copper	COMEX	25,000 lbs	7.277%	6:00PM to 5:15PM Next Day
Corn.....	Corn	CBOT	5,000 bushels	7.053%	Sun – Fri: 8:00PM to 8:45 AM Next Day; Mon – Fri: 9:30AM to 2:15PM

Commodity	Designated		Units	CIP**	Trading Hours
	Contract	Exchange*			(E.T.) ***
Cotton.....	Cotton	ICE	50,000 lbs	1.766%	9:00PM to
		Futures			2:30PM Next Day
		U.S.			
Crude Oil.....	Light, Sweet Crude	NYMEX	1,000 barrels	9.206%	6:00PM to
	Oil				5:15PM Next Day
	Brent Crude Oil	ICE	1,000 barrels	5.794%	8:00PM to
		Futures			6:00PM Next Day
		U.S.			
Gold.....	Gold	COMEX	100 troy oz.	10.819%	6:00PM to
					5:15PM Next Day
Heating Oil.....	Heating Oil	NYMEX	42,000 gallons	3.519%	6:00PM to
					5:15PM Next Day
Live Cattle.....	Live Cattle	CME	40,000 lbs	3.283%	Mon: 10:05AM to
					5:00PM
					Tue – Thurs:
					6:00PM to
					5:00PM Next Day
					Fri: 6:00PM to
					2:55PM Next Day
Lean Hogs .....	Lean Hogs	CME	40,000 lbs	1.900%	Mon: 10:05AM to
					5:00PM

Commodity	Designated		Units	CIP**	Trading Hours
	Contract	Exchange*			(E.T.) ***
					Tue – Thurs: 6:00PM to 5:00PM Next Day Fri: 6:00PM to 2:55PM Next Day
Natural Gas .....	Henry Hub Natural Gas	NYMEX	10,000 mmbtu	10.424%	6:00PM to 5:15PM Next Day
Nickel .....	Primary Nickel	LME	6 metric tons	2.244%	First session: 6:15AM to 6:20AM, 8:00AM to 8:05AM; second session: 10:25AM to 10:30AM, 11:05AM to 11:10AM
Silver .....	Silver	COMEX	5000 troy oz.	3.898%	6:00PM to 5:15PM Next Day
Soybeans .....	Soybeans	CBOT	5,000 bushels	5.495%	Sun – Fri: 8:00PM to 8:45 AM Next Day;

Commodity	Designated		Units	CIP**	Trading Hours
	Contract	Exchange*			(E.T.) ***
					Mon – Fri: 9:30AM to 2:15PM
Soybean Meal..	Soybean Meal	CBOT	100 short tons	2.607%	Sun – Fri: 8:00PM to 8:45 AM Next Day;
Soybean Oil.....	Soybean Oil	CBOT	60,000 lbs	2.743%	Mon – Fri: 9:30AM to 2:15PM
					Sun – Fri: 8:00PM to 8:45 AM Next Day;
					Mon – Fri: 9:30AM to 2:15PM
Sugar .....	World Sugar No. 11	ICE	112,000 lbs	3.884%	2:30AM to 2:00PM
		Futures			
		U.S.			
Unleaded					
Gasoline .....	Reformulated	NYMEX	42,000 gallons	3.461%	6:00PM to 5:15PM Next Day
	Blendstock for				

<b>Commodity</b>	<b>Designated</b>		<b>Units</b>	<b>CIP**</b>	<b>Trading Hours</b>
	<b>Contract</b>	<b>Exchange*</b>			<b>(E.T.) ***</b>
	Oxygen Blending				
Wheat (Chicago).....	Soft Wheat	CBOT	5,000 bushels	3.433%	Sun – Fri: 8:00PM to 8:45 AM Next Day; Mon – Fri: 9:30AM to 2:15PM
Wheat (Kansas)...	Hard Red Winter Wheat	KCBOT	5,000 bushels	1.321%	Sun – Fri: 8:00PM to 8:45 AM Next Day; Mon – Fri: 9:30AM to 2:15PM

Commodity	Designated		Units	CIP**	Trading Hours
	Contract	Exchange*			(E.T.)***
Zinc .....	Special High Grade	LME	25 metric tons	2.519%	First session: 7:10AM to 7:15AM, 7:50AM to 7:55AM; second session: 10:05AM to 10:10AM, 10:45AM to 10:50AM
	Zinc				

\* “LME” refers to the London Metal Exchange, and “ICE Futures U.S.” refers to ICE Futures U.S., Inc.

\*\* Rounded to the nearest thousandth of a percentage. May not total to 100% due to rounding.

\*\*\* Trading hours for the CME, CBOT, NYMEX, and COMEX represent weekday electronic trading hours through CME Globex (electronic platform). Trading hours for LME represent ring trading times during each of first and second sessions; excludes kerb trading times.

Calculation of the Index, DJ-UBS CI, and DJ-UBS Roll Select CI

The level of the DJ-UBS CI was set to be equal to 100 as of December 31, 1990. Subsequent levels of the DJ-UBS CI are determined by multiplying the level of the DJ-UBS CI as of the previous day by a fraction equal to (i) the weighted average value (“WAV”) of the DJ-UBS CI as of the current day divided by (ii) the WAV of the DJ-UBS CI as of the previous day, subject to adjustment for roll periods as described below. The WAV of the DJ-UBS CI on any

given day is calculated by summing the products of the settlement prices of the designated futures contracts for each commodity multiplied by the commodity index multiplier (“CIM”) of such designated contract.

The CIMs of the designated contracts in the DJ-UBS CI are determined annually, generally on the fourth business day of each year (the date of such determination, “CIM Determination Date”). On the CIM Determination Date, initial CIMs (“ICIMs”) are calculated for each designated contract by multiplying such designated contract’s CIP by 1,000, then dividing such product by the designated contract’s settlement price as of the CIM Determination Date. To determine the final CIM for each designated contract for the new year, each ICIM is multiplied by an adjustment factor, which is a fraction equal to (i) the WAV of the DJ-UBS CI as of the CIM Determination Date, as calculated using the CIMs from the prior year, divided by (ii) 1,000. This adjustment factor is intended to preserve WAV continuity from one year to the next.

During roll periods, which generally occur during the sixth through tenth business days of each month, the level of the DJ-UBS CI is calculated using a blended WAV formula that reflects the fact that the DJ-UBS CI is rolling out of expiring contracts and into replacement contracts. The WAV associated with the existing index components (“Old WAV”) begins weighted at 100% as of the business day preceding the roll period and decreases by 20% on each subsequent business day until reduced to zero; it has no further effect on the level of the DJ-UBS CI by the fifth business day of such roll period. The WAV associated with the new index components (“New WAV”) begins weighted at 0% as of the business day preceding the roll period and increases by 20% on each subsequent business day such that by the fifth business day of such roll period, the level of the DJ-UBS CI is determined based entirely on the New WAV.



Accordingly, during a roll period, the level of the DJ-UBS CI on any given day can be calculated as the product of the level of the DJ-UBS CI as of the previous day, multiplied by a fraction equal to: (i)  $\text{Old WAV} \times (1-0.2n) + \text{New WAV} \times (0.2n)$ , using the Old WAV and New WAV values as of such day, divided by (ii)  $\text{Old WAV} \times (1-0.2n) + \text{New WAV} \times (0.2n)$ , using the Old WAV and New WAV values as of the previous day. The variable “n” in this equation represents the number of business days that have elapsed for such roll period through and including the relevant date of determination. According to the Registration Statement, the DJ-UBS Roll Select CI will be calculated using the same general methodology as the DJ-UBS CI and using the same CIPs and CIMs used in connection with calculating the DJ-UBS CI. However, because the roll process for the DJ-UBS Roll Select CI is different from that of the DJ-UBS CI, its constituent futures contracts may differ from those included in the DJ-UBS CI. This difference is expected to cause the dollar-value weights and the weighted average value of the futures contracts included in each index to differ over time, and, as a result, cause the performance of the two indices to diverge.

The Index combines the returns of the DJ-UBS Roll Select CI with the returns of the most recent weekly auction high rate for three-month U.S. Treasury bills, as reported on the website <http://publicdebt.treas.gov/AI/OFBills> under the column headed “Discount Rate %” published by the Bureau of the Public Debt of the U.S. Treasury, or any successor source. The level of the Index, which was set at a hypothetical level of 100 as of December 31, 1990, can be calculated on any given day as the product of the level of the Index as of the previous day, multiplied by the sum of (i) 1.00 plus (ii) the positive or negative percentage return on the DJ-UBS Roll Select CI on such day plus (iii) the daily return based on the auction high rate for three-month U.S. Treasury bills described above.

Additional information regarding the composition of the Index, DJ-UBS Roll Select CI, DJ-UBS CI and their index methodologies is included in the Registration Statement and at the Index Co-Sponsors' website, [www.djindexes.com](http://www.djindexes.com).<sup>17</sup>

A more detailed description of the Shares, the Trust, the Index, and the Index Futures, as well as of the investment strategies and risks, creation and redemption procedures, and fees, among other things, is included in the Notice and the Registration Statement, as applicable.<sup>18</sup>

### III. Discussion and Commission's Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1 thereto, is consistent with the requirements of Section 6 of the Act<sup>19</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>20</sup> In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1 thereto, is consistent with Section 6(b)(5) of the Act,<sup>21</sup> which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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 Trust and the Shares must comply with the requirements of NYSE Arca Equities Rule 8.200 and Commentary .02

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<sup>17</sup> See supra note 6.

<sup>18</sup> See supra notes 4 and 6.

<sup>19</sup> 15 U.S.C. 78f.

<sup>20</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

thereto 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,<sup>22</sup> 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. The intraday, closing prices, and settlement prices of the Index Futures held by the Trust and the futures contracts included in the Index, DJ-UBS Roll Select CI, and DJ-UBS CI are or will be readily available from the websites of the relevant futures exchanges, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. The relevant futures exchanges also provide delayed futures information on current and past trading sessions and market news free of charge on their respective websites. The specific contract specifications for the Index Futures and for the underlying futures contracts in the Index, DJ-UBS Roll Select CI, and DJ-UBS CI are also available on such websites, as well as other financial informational sources. Information regarding the Collateral Assets will be available from the applicable exchanges and market data vendors. Further, the Trust will provide website disclosure of portfolio holdings daily and will include, as applicable, the composite value of the total portfolio; the name, quantity, price, and market value of each Index Future and Collateral Asset, and the characteristics of such Index Futures and Collateral Assets; and the amount of cash held in the Trust's portfolio. This website disclosure of the portfolio composition of the Trust will occur at the same time as the disclosure by the Sponsor of the portfolio composition to

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<sup>22</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

authorized participants so that all market participants are provided portfolio composition information at the same time. The intra-day indicative value (“IIV”)<sup>23</sup> per Share of the Trust will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session (from 9:30 a.m. E.T. to 4:00 p.m. E.T.).<sup>24</sup> In addition, the Index Co-Sponsors will calculate and publish the value of the Index, the DJ-UBS Roll Select CI, and DJ-UBS CI continuously on each business day, with such values updated at least every 15 seconds during the Core Trading Session and disseminated by S&P Dow Jones Indices to market data vendors. The contents and percentage weighting of the Index, the DJ-UBS Roll Select CI, and DJ-UBS CI, will be available at the Index Co-Sponsors’ website, [www.djindexes.com](http://www.djindexes.com), and distributed to third-party data providers. The Trustee will determine the net asset value per Share (“NAV”) as of 4:00 p.m. E.T. on each business day on which the Exchange is open for regular trading or as soon as practicable after that time.<sup>25</sup> The NAV will be disseminated to all market

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<sup>23</sup> The IIV will be based on the prior day’s final NAV per Share, adjusted every 15 seconds during the Core Trading Session to reflect the continuous price changes of the Trust’s Index Futures and other holdings. In addition, although not likely, circumstances may arise in which the NYSE Arca Core Trading Session is in progress, but trading in Index Futures is not occurring. Such circumstances may result from reasons including, but not limited to, the applicable Futures Exchange having a separate holiday schedule than the NYSE Arca or closing prior to the close of the NYSE Arca, price fluctuation limits being reached in an Index Future, or the applicable Futures Exchange imposing any other suspension or limitation on trading in an Index Future. In such instances, the value of the applicable Index Futures held by the Trust would be static or priced by the Trust at the applicable early cut-off time of the Futures Exchange trading the applicable Index Future. Moreover, any cash held by the Trust for collateralization purposes will be invested in Collateral Assets that do not have market exposure, such that their value would not change throughout the trading day. As such, during such periods, the disseminated IIV for the Trust will be static.

<sup>24</sup> According to the Exchange, several major market data vendors display and/or make widely available IIVs published on CTA or other data feeds.

<sup>25</sup> The Trustee will value the Trust’s long positions in Index Futures on the basis of that day’s settlement prices for the Index Futures held by the Trust, as announced by the applicable Futures Exchange. The value of the Trust’s positions in any particular Index Future will equal the product of (a) the number of such Index Futures of such expiration

participants at the same time. The Exchange will make available on its website daily trading volume of the Shares and the closing prices of the Shares.

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. If the Exchange becomes aware that the NAV with respect to the Shares is not disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. Further, the Exchange represents that it may halt trading during the day in which an interruption to the dissemination of the IIV, the Index value, or the value of the Index Futures occurs. If the interruption persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. The Exchange may halt trading in the Shares if trading is not occurring in the Index Futures, or if other unusual conditions or circumstances detrimental to

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owned by the Trust, (b) the settlement price of such Index Futures on the date of calculation and (c) the multiplier of such Index Futures. If there is no announced settlement price for a particular Index Future contract on a business day, the Trustee will use the most recently announced settlement price unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate as a basis for valuation. The daily settlement prices for the Index Futures initially held by the Trust will be established by the CME shortly after the close of trading for such Index Futures, which is generally 2:40 p.m. E.T. The Trustee will value all other holdings of the Trust at (a) current market value, if quotations for such property are readily available, or (b) fair value, as reasonably determined by the Trustee, if the current market value cannot be determined. Once the value of the Index Futures and interest earned on the Trust's Collateral Assets has been determined, the Trustee will subtract all accrued expenses and liabilities of the Trust as of the time of calculation in order to calculate the net asset value of the Trust. The Trustee will determine the NAV by dividing the net asset value of the Trust by the number of Shares outstanding at the time the calculation is made. Any changes to NAV that may result from creation and redemption activity occurring on any business day will not be reflected in NAV until the following business day.

the maintenance of a fair and orderly market are present.<sup>26</sup> The Exchange states that it has a general policy prohibiting the distribution of material, non-public information by its employees. The Exchange states that the Sponsor will implement and maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the assets of the Trust. The Exchange states that the Adviser is not a broker-dealer but is affiliated with a broker-dealer and has implemented a firewall with respect to such broker-dealer affiliate as well as procedures designed to prevent the use and dissemination of material, non-public information regarding the assets of the Trust. The Exchange states that S&P Dow Jones Indices and its subsidiary DJI Opco, LLC are not broker-dealers, and that UBS Securities is a broker-dealer and has implemented a fire wall with respect to its personnel regarding access to information concerning the composition and/or changes to the Index, DJ-UBS CI, and DJ-UBS Roll Select CI and the calculation of the values of the foregoing indexes, and will be subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the Index, DJ-UBS CI, and DJ-UBS Roll Select CI. The Exchange states that the Index Co-Sponsors have implemented and maintain procedures designed to prevent the use and dissemination of material, non-public information regarding the DJ-UBS Roll Select CI, the DJ-UBS CI, and the Index. The Exchange states that the Supervisory Committee and the Advisory Committee are subject to procedures designed to prevent the use and dissemination of material, non-public information regarding the Index, DJ-UBS Roll Select CI, and DJ-UBS CI. Moreover, the trading of the Shares will be subject to NYSE Arca Equities Rule 8.200, Commentary .02(e),

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<sup>26</sup> With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. Trading in the Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's "circuit breaker" rule in NYSE Arca Equities Rule 7.12. 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.

which sets forth certain restrictions on Equity Trading Permit (“ETP”) Holders<sup>27</sup> acting as registered Market Makers<sup>28</sup> in Trust Issued Receipts to facilitate surveillance. The Commission notes that the Financial Industry Regulatory Authority (“FINRA”), on behalf of the Exchange,<sup>29</sup> will communicate as needed regarding trading in the Shares with other markets that are members of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement.<sup>30</sup>

The Commission notes that, prior to the commencement of trading, the Exchange will inform its ETP Holders of the suitability requirements of NYSE Arca Equities Rule 9.2(a) in an Information Bulletin.<sup>31</sup> Specifically, the Exchange will remind ETP Holders that, in recommending transactions in these securities, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer’s investment objectives, financial situation, needs, and any other information known by

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<sup>27</sup> See NYSE Arca Equities Rule 1.1(n) (defining ETP Holder).

<sup>28</sup> See NYSE Arca Equities Rule 1.1(v) (defining Market Maker).

<sup>29</sup> The Exchange states that, while FINRA surveils trading on the Exchange pursuant to a regulatory services agreement, the Exchange is responsible for FINRA’s performance under this regulatory services agreement.

<sup>30</sup> The Exchange states that CME, CBOT, NYMEX, and ICE Futures U.S. are members of ISG, and that the Exchange may obtain market surveillance information with respect to transactions occurring on the COMEX pursuant to the ISG memberships of CME and NYMEX. In addition, the Exchange states that it has entered into a comprehensive surveillance sharing agreement with the LME that applies with respect to trading in futures contracts currently included in the DJ-UBS CI and DJ-UBS Roll Select CI.

<sup>31</sup> NYSE Arca Equities Rule 9.2(a) provides that an ETP Holder, before recommending a transaction in any security, must have reasonable grounds to believe that the recommendation is suitable for the customer based on any facts disclosed by the customer as to its other security holdings and as to its financial situation and needs. Further, the rule provides, with a limited exception, that prior to the execution of a transaction recommended to a non-institutional customer, the ETP Holder must make reasonable efforts to obtain information concerning the customer’s financial status, tax status, investment objectives, and any other information that such ETP Holder believes would be useful to make a recommendation.

such member, and (2) the customer can evaluate the special characteristics, and is able to bear the financial risks, of an investment in the Shares. In connection with the suitability obligation, the Information Bulletin will also provide that members must make reasonable efforts to obtain the following information: (a) the customer's financial status; (b) the customer's tax status; (c) the customer's investment objectives; and (d) such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer.

FINRA has issued a regulatory notice providing guidance to firms about the supervision of complex products, as described in FINRA Regulatory Notice 12-03 (January 2012) ("FINRA Regulatory Notice"). While the FINRA Regulatory Notice does not provide a definition of what constitutes a "complex product," it does identify characteristics that may make a product "complex" for purposes of determining whether the product should be subject to heightened supervisory and compliance procedures.<sup>32</sup> The Trust's characteristics may raise issues similar to those raised in the FINRA Regulatory Notice. Therefore, the Exchange has represented that the Information Bulletin will state that ETP Holders that carry customer accounts should follow the FINRA Regulatory Notice with respect to suitability.

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 the Exchange's proposal to list and trade the Shares, the Exchange has made representations, including that:

- (1) The Trust will meet the initial and continued listing requirements applicable to Trust Issued Receipts in NYSE Arca Equities Rule 8.200 and Commentary .02

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<sup>32</sup> See FINRA Regulatory Notice, at 3-4.



thereto.

- (2) The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions.
- (3) The trading in the Shares will be subject to the existing trading surveillances, administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws, and 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.
- (4) Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (a) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IIV will not be calculated or publicly disseminated; (b) the procedures for purchases and redemptions of Shares in creation baskets and redemption baskets (and that Shares are not individually redeemable); (c) 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; (d) how information regarding the IIV is disseminated; (e) that a static IIV will be disseminated, between the close of trading on the applicable futures exchange and the close of the NYSE Arca Core Trading Session; (f) 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 (g) trading information. The Information Bulletin will also advise ETP Holders of their suitability obligations with respect to recommended transactions to customers in the Shares, and will state that ETP Holders that carry customer accounts should follow the FINRA Regulatory Notice with respect to suitability.

- (5) With respect to application of Rule 10A-3 under the Act,<sup>33</sup> the Trust relies on the exception contained in Rule 10A-3(c)(7).<sup>34</sup>
- (6) The Sponsor represents that the Trust will invest in Index Futures and Collateral Assets in a manner consistent with the Trust's investment objective and not to achieve additional leverage.
- (7) With respect to Index Futures traded on exchanges, not more than 10% of the weight of such Index Futures in the aggregate shall consist of futures contracts whose principal trading market (a) is not a member of ISG or (b) is a market with which the Exchange does not have a comprehensive surveillance sharing agreement, provided that, so long as the Exchange may obtain market surveillance information with respect to transactions occurring on the COMEX pursuant to the ISG memberships of CME and NYMEX, futures contracts whose principal trading market is COMEX shall not be subject to the prohibition in (a) above.
- (8) A minimum of 100,000 Shares of the Trust will be outstanding at the commencement of trading on the Exchange.

This approval order is based on all of the Exchange's representations and description of the

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<sup>33</sup> 17 CFR 240.10A-3.

<sup>34</sup> 17 CFR 240.10A-3(c)(7).

Trust, including those set forth above and in the Notice.<sup>35</sup>

For the foregoing reasons, the Commission finds that the proposed rule change, as modified by Amendment No. 1 thereto, is consistent with Section 6(b)(5) of the Act<sup>36</sup> 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,<sup>37</sup> that the

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<sup>35</sup> The Commission notes that it does not regulate the market for futures in which the Trust plans to take positions, which is the responsibility of the CFTC. The CFTC has the authority to set limits on the positions that any person may take in futures. These limits may be directly set by the CFTC or by the markets on which the futures are traded. The Commission has no role in establishing position limits on futures even though such limits could impact an exchange-traded product that is under the jurisdiction of the Commission.

<sup>36</sup> 15 U.S.C. 78f(b)(5).

<sup>37</sup> 15 U.S.C. 78s(b)(2).

proposed rule change (SR-NYSEArca-2013-48), as modified by Amendment No. 1 thereto, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>38</sup>

Elizabeth M. Murphy  
Secretary

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<sup>38</sup> 17 CFR 200.30-3(a)(12).