

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75087; File No. SR-NYSEArca-2015-46)

June 1, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to a Representation Regarding Investment in Certain Mortgage-Related Securities by the AdvisorShares Sage Core Reserves ETF

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 27, 2015, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 change a representation regarding investment in certain mortgage-related securities by the AdvisorShares Sage Core Reserves ETF. Shares of the AdvisorShares Sage Core Reserves ETF have been approved for listing and trading on the Exchange 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.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Commission has approved a proposed rule change relating to listing and trading on the Exchange of shares (“Shares”) of the AdvisorShares Sage Core Reserves ETF (the “Fund”) under NYSE Arca Equities Rule 8.600⁴, which governs the listing and trading of Managed Fund Shares.⁵ The Fund’s Shares are currently listed and traded on the Exchange under NYSE Arca Equities Rule 8.600.

The Shares are offered by AdvisorShares Trust (the “Trust”), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end

⁴ See Securities Exchange Act Release No. 71263 (January 9, 2014), 79 FR 2715 (January 15, 2014) (SR-NYSEArca-2013-121) (the “Prior Order”). The notice with respect to the Prior Order was published in Securities Exchange Act Release No. 70902 (November 19, 2013), 78 FR 70370 (November 25, 2013) (“Prior Notice” and, together with the Prior Order, the “Prior Release”).

⁵ 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.

management investment company.⁶ The investment adviser to the Fund is AdvisorShares Investments, LLC (the “Adviser”). Sage Advisory Services Ltd. Co. (“Sub-Adviser”) is the Fund’s sub-adviser and provides day- to-day portfolio management of the Fund.

According to the Registration Statement, the Fund will seek to preserve capital while maximizing income. Under normal market conditions, the Sub-Adviser will seek to achieve the Fund’s investment objective by investing at least 80% of the Fund’s net assets in a variety of fixed income securities issued by U.S. and foreign issuers. Such fixed income securities will be U.S. dollar-denominated investment grade debt securities rated Baa or higher by Moody’s Investors Service, Inc. (“Moody’s”), or equivalently rated by Standard & Poor’s Ratings Services (“S&P”) or Fitch, Inc. (“Fitch”), or, if unrated, determined by the Sub-Adviser to be of comparable quality.⁷ The Fund may retain a security if its rating falls below investment grade and the Sub-Adviser determines that retention of the security is in the Fund’s best interest. The Exchange notes that the Fund’s investment portfolio of fixed income securities will meet certain criteria for index-based, fixed income exchange-traded funds (“ETFs”) contained in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02.⁸

The Fund may invest, among other securities and financial instruments, in mortgage-related securities and asset-backed securities (“ABSs”). Mortgage-related securities are interests

⁶ The Trust is registered under the 1940 Act. On August 13, 2013, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“Securities Act”), and under the 1940 Act relating to the Fund (File Nos. 333-157876 and 811-22110) (“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. 29291 (May 28, 2010) (File No. 812-13677) (“Exemptive Order”)

⁷ See note 9 of the Prior Notice.

⁸ See note 10 of the Prior Notice.

in pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks, and others. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. The Fund also may invest in debt securities which are secured with collateral consisting of mortgage related securities. Interests in pools of mortgage-related securities differ from other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment which consists of both interest and principal payments.

The Prior Release stated that the Fund may invest up to 10% of its net assets in privately issued (non-government sponsored entity (“GSE”)) mortgage-related securities, including commercial mortgage-backed securities, collateralized mortgage obligations (“CMOs”), and adjustable rate mortgage backed securities (“ARMBSs”) (the “10% Representation”). The Prior Release further stated that the Fund will not purchase mortgage-related securities (including non-GSE mortgage-related securities) or any other assets which in the Sub-Adviser’s opinion are illiquid if, as a result, more than 15% of the Fund’s net assets will be invested in illiquid securities.⁹

⁹ As stated in the Prior Release, the Sub-Adviser seeks to manage the portion of the Fund’s assets committed to privately issued mortgage-related securities in a manner consistent with the Fund’s investment objective, policies and overall portfolio risk profile. In determining whether and how much to invest in privately issued mortgage-related securities, and how to allocate those assets, the Sub- Adviser considers a number of factors. These include, but are not limited to: (1) the nature of the borrowers (e.g., residential vs. commercial); (2) the collateral loan type (e.g., for residential: First Lien – Jumbo/Prime, First Lien – Alt-A, First Lien – Subprime, First Lien – Pay-Option or Second Lien; for commercial: Conduit, Large Loan or Single Asset / Single Borrower); and (3) in the case of residential loans, whether they are fixed rate or adjustable mortgages. Each of these criteria can cause privately issued mortgage-related securities to

The Exchange has notified the Fund that it currently is not in compliance with the 10% Representation.¹⁰ In order to permit the continued listing and trading of Shares of the Fund, the Exchange proposes to amend such statement in the Prior Release to provide that the Fund may invest up to 20% of its net assets in privately issued (non- GSE) mortgage-related securities, including commercial mortgage-backed securities, CMOs, and adjustable rate mortgage backed securities.

The Adviser represents that an increase to 20% in Fund assets that may be invested in the mortgage-related instruments enumerated above will provide the Fund with added flexibility to invest in instruments in furtherance of the Fund’s investment objective. In addition, such increase will permit the Fund to invest in such instruments consistent with investment parameters approved by the Commission for other actively-managed ETFs. The Exchange notes that the Commission has previously approved similar percentage limitations for other funds listed on the Exchange under NYSE Arca Equities Rule 8.600.¹¹

Except for the change described above, all other representations made in the Prior Release remain unchanged.¹² The Fund will comply with all initial and continued listing requirements under NYSE Arca Equities Rule 8.600.

have differing primary economic characteristics and distinguishable risk factors and performance characteristics.

¹⁰ The Trust issued a press release, dated March 24, 2015, relating to the non-compliance. The Exchange also has added a “below compliance” (“BC”) indicator to the Fund’s trading symbol.

¹¹ See, e.g., Securities Exchange Act Release No. 71125 (December 18, 2013), 78 FR 77743 (December 24, 2013) (SR-NYSEArca-2013-106) (order approving listing and trading on the Exchange of shares of the PIMCO Diversified Income Exchange-Traded Fund and the PIMCO Low Duration Exchange-Traded Fund).

¹² See notes 4 and 9, supra. All terms referenced but not defined herein are defined in the Prior Release.

The Exchange represents that the trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.¹³ 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 federal securities laws applicable to trading on the Exchange. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and exchange-listed equity securities (including ADRs) with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares and exchange-listed equity securities (including ADRs) from such markets and other entities. The Exchange may obtain information regarding trading in the Shares and exchange-listed equity securities (including ADRs) from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.¹⁴ In addition, as stated in the Prior Release, investors 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.

¹³ 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.

¹⁴ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all of the components of the portfolio for the Fund may trade on exchanges that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁵ 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 are listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600.

The Adviser represents that an increase to 20% in Fund assets that may be invested in the mortgage-related instruments enumerated above will provide the Fund with added flexibility to invest in instruments in furtherance of the Fund's investment objective. In addition, such increase will permit the Fund to invest in such instruments consistent with investment parameters approved by the Commission for other actively-managed ETFs. The Commission has previously approved similar percentage limitations for other funds listed on the Exchange under NYSE Arca Equities Rule 8.600.¹⁶ 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 Exchange may obtain information via the ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, underlying exchange-traded equity securities (including, without limitation, ETFs, equity-related financial instruments and other

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ See note 11, supra.

exchange-traded products, REITs and mortgage-related securities), futures, options on futures, and exchange-traded options with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares, underlying exchange-traded equity securities, futures, options on futures, and exchange-traded options from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, underlying exchange-traded equity securities (including, without limitation, ETFs, equity-related financial instruments and other exchange-traded products, REITs and mortgage-related securities), futures, options on futures, and exchange-traded options from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.¹⁷ In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Fund reported to FINRA's Trade Reporting and Compliance Engine ("TRACE").

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 net asset value ("NAV") per Share is calculated daily and that the NAV and the Disclosed Portfolio is made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. The Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), is disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On a daily basis, the Fund's website discloses for each portfolio security and other

¹⁷ 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 are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

financial instrument of the Fund the following information: ticker symbol (if applicable); name and, when available, the individual identifier (CUSIP) of the security and/or financial instrument; number of shares (if applicable) and dollar value of securities and financial instruments held in the portfolio; and percentage weighting of the security and financial instrument in the portfolio. Information regarding market price and trading volume of the Shares is 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 is published daily in the financial section of newspapers. Quotation and last-sale information for the Shares and U.S. exchange-listed equity securities, including ETFs, ETNs, exchange-traded pooled vehicles, ADRs, equity-related financial instruments and other exchange-traded products, REITs and mortgage-related securities, is available via the Consolidated Tape Association high-speed line, and is available from the national securities exchange on which they are listed. Information regarding unsponsored ADRs is available from major market data vendors. Intra-day and closing price information relating to the fixed income and equities investments of the Fund, as well as Fund investments in spot currencies and derivatives, including futures, forwards, options, options on futures and swaps, is available from major market data vendors and from securities and futures exchanges, as applicable. Information relating to U.S. exchange-listed options is available via the Options Price Reporting Authority. In addition, the Portfolio Indicative Value, as defined in NYSE Arca Equities Rule 8.600(c)(3), is widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors. 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. Trading

in the Shares is subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. The website for the Fund includes a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. In addition, as stated in the Prior Notice, investors 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. As noted above, the Exchange represents that the trading in the Shares is 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. 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 federal securities laws applicable to trading on the Exchange. In addition, as stated in the Prior Release, investors 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 Adviser represents that the proposed change, as described above, is consistent with the Fund's investment objective, and will further assist the Adviser and Sub-Adviser to achieve such investment objective.

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 purpose of the Act. The Exchange believes the proposed rule change is designed to allow the Fund to invest in a broader

range of mortgage-related securities thereby helping the Fund to achieve its investment objective, and will enhance competition among issues of Managed Fund Shares that invest in fixed income securities.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and Rule 19b-4(f)(6) thereunder.¹⁹

At any time within 60 days of the filing of the proposed rule change, the Commission may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-2015-46 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2015-46. 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 such filing will also 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-2015-46 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.²⁰

Brent J. Fields
Secretary

²⁰ 17 CFR 200.30-3(a)(12).