

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78433; File No. SR-NYSEArca-2016-100)

July 28, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of Shares of the Direxion Daily Municipal Bond Taxable Bear 1X Fund under NYSE Arca Equities Rule 5.2(j)(3)

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 13, 2016, 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, II, and III 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 list and trade under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, the shares of the Direxion Daily Municipal Bond Taxable Bear 1X Fund. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://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

---

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the Direxion Daily Municipal Bond Taxable Bear 1X Fund (“Fund”) under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, which governs the listing and trading of Investment Company Units (“Units”) based on fixed income securities indexes.<sup>4</sup> The Fund is a series of the Direxion Shares ETF

---

<sup>4</sup> The Commission previously has approved proposed rule changes relating to listing and trading on the Exchange of Units based on municipal bond indexes. See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR–NYSEArca–2012–92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR–NYSEArca–2012–92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 71232 (January 3, 2014), 79 FR 1662 (January 9, 2014) (SR-NYSEArca-2013-118) (order approving listing and trading of shares of the Market Vectors Short High-Yield Municipal Index ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR–NYSEArca–2014–37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR–NYSEArca–2014–37) (notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds 2021 and 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)). The Commission also has issued a notice of filing and immediate effectiveness of a proposed rule change relating to listing and trading on the Exchange of shares of the iShares Taxable Municipal Bond Fund. See Securities Exchange Act Release No. 63176 (October 25, 2010), 75 FR 66815 (October

Trust (“Trust”).<sup>5</sup> Rafferty Asset Management, LLC will be the investment adviser to the Fund (“Adviser”).

Bank of New York Mellon will serve as transfer agent, accounting agent and custodian for the Fund (“Transfer Agent”). Foreside Fund Services, LLC will be the distributor (“Distributor”) for the Fund’s Shares. U.S. Bancorp Fund Services, LLC will serve as the Fund’s administrator.

### Principal Investments

According to the Registration Statement, the Fund will seek to track 100% of the inverse of the performance of a benchmark index that measures the investment-grade segment of the U.S. municipal bond market. The Fund, under normal circumstances<sup>6</sup>, will create net short positions by investing at least 80% of the Fund’s assets (plus any borrowings for investment

---

29, 2010) (SR-NYSEArca-2010-94). The Commission has approved for Exchange listing and trading of shares of two actively managed funds of the PIMCO ETF Trust that principally hold municipal bonds. See Securities Exchange Act Release No. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of shares of the PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund). The Commission also has approved listing and trading on the Exchange of shares of the SPDR® Nuveen S&P High Yield Municipal Bond Fund under Commentary .02 of NYSE Arca Equities Rule 5.2(j)(3). See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

<sup>5</sup> On February 29, 2016, the Trust filed a registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-1) (File Nos.: 811-22201 and 333-150525) (the “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. 27773 (April 2, 2007) (File No. 812-13336).

<sup>6</sup> The term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues (e.g., systems failure) causing dissemination of inaccurate market information; or force majeure type events such as natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

purposes) in the following financial instruments (“Financial Instruments”): options on securities, including exchange-traded funds (“ETFs”) and indices, traded on U.S. exchanges; swaps; and short positions in ETFs, as described below in this “Principal Investments” section, that, in combination, provide inverse exposure to the Standard & Poor’s National AMT-Free Municipal Bond Index (“Index”).<sup>7</sup> The Fund will seek daily inverse investment results and will not seek to achieve its stated investment objective over a period of time greater than one day. The Fund will not seek income that is exempt from federal, state or local income taxes.

The Fund may invest in options that provide short exposure to the Index or various ETFs including, iShares National Muni Bond ETF, SPDR Nuveen Barclays Municipal Bond ETF, iShares Short-term National Muni Bond ETF, SPDR Nuveen Barclays Short-Term Municipal Bond ETF, Market Vectors High-Yield Municipal Index ETF, SPDR Nuveen S&P High Yield Municipal Bond ETF, Market Vectors AMT-Free Intermediate Municipal Index ETF, PowerShares National AMT-Free Municipal Bond Portfolio, Vanguard Tax-Exempt Bond ETF and the PIMCO Intermediate Municipal Bond Active Exchange-Traded Fund.

The Fund may invest in swaps that provide short exposure to the securities included in the Index and various ETFs, including iShares National Muni Bond ETF, SPDR Nuveen Barclays Municipal Bond ETF, iShares Short-term National Muni Bond ETF, SPDR Nuveen Barclays Short-Term Municipal Bond ETF, Market Vectors High-Yield Municipal Index ETF, SPDR Nuveen S&P High Yield Municipal Bond ETF, Market Vectors AMT-Free Intermediate Municipal Index ETF, PowerShares National AMT-Free Municipal Bond Portfolio, Vanguard

---

<sup>7</sup> The Commission previously has approved a proposed rule change relating to listing and trading on the Exchange of Units based on the Index. See Securities Exchange Act Release No. 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02).

Tax-Exempt Bond ETF and the PIMCO Intermediate Municipal Bond Active Exchange-Traded Fund.

The Fund may take direct short positions in ETFs, such as the iShares National Muni Bond ETF, SPDR Nuveen Barclays Municipal Bond ETF, iShares Short-term National Muni Bond ETF, SPDR Nuveen Barclays Short-Term Municipal Bond ETF, Market Vectors High-Yield Municipal Index ETF, SPDR Nuveen S&P High Yield Municipal Bond ETF, Market Vectors AMT-Free Intermediate Municipal Index ETF, PowerShares National AMT-Free Municipal Bond Portfolio, Vanguard Tax-Exempt Bond ETF and the PIMCO Intermediate Municipal Bond Active Exchange-Traded Fund.<sup>8</sup> The Fund will not take long positions in ETFs.

The Fund has proposed to use the Index as its benchmark index.<sup>9</sup> The Index is a broad, comprehensive, market value-weighted index designed to measure the performance of the tax-exempt, investment-grade U.S. municipal bond market. Index constituents are derived from the Standard & Poor's/InvestorTools Municipal Bond Index. In order to be classified as an eligible bond for inclusion in the Index, a bond must meet all of the following criteria on the rebalancing date: the bond issuer is a state, local government, or agency such that interest on the bond is exempt from federal income tax; a bond must have a rating of at least BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch; the bond must be denominated in U.S. Dollars ("USD"); each bond must be a constituent of a deal where the deal's original offering amount

---

<sup>8</sup> For purposes of this filing, ETFs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). The Fund will not invest in inverse, leveraged or inverse leveraged ETFs (e.g., -2X, -3X, 2X or 3X).

<sup>9</sup> S&P Dow Jones Indices is the "Index Provider" with respect to the Index. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index.

was at least \$100 million USD; as of the next rebalancing date, the bond must have a minimum term to maturity and/or call date greater than or equal to one calendar month plus one calendar day; the amount outstanding, or par amount, is used to determine the weight of the bond in the Index; and the bond must have a minimum par amount of \$25 million USD. At each monthly rebalancing, no issuer can represent more than 25% of the weight of the Index, and individual issuers that represent 5% of the Index's weight cannot account for more than 50% of the Index in aggregate. The Index is generally reviewed and rebalanced on a monthly basis. The following bond types are specifically excluded from the Index: bonds subject to the alternative minimum tax; commercial paper; derivative securities (inverse floaters, forwards, swaps); housing bonds; insured conduit bonds where the obligor is a for-profit institution; non-insured conduit bonds; non-rated bonds; notes; taxable municipals; tobacco bonds; and variable rate debt.

The Fund may gain inverse exposure to only a representative sample of the securities in the Index that have aggregate characteristics similar to those of the Index. The Fund will gain this inverse exposure by investing in a combination of financial instruments that provide inverse exposure to the underlying securities of the Index. The Fund will invest in derivatives as a substitute for directly shorting securities in order to gain inverse exposure to the Index or its components. The Fund will seek to remain fully invested at all times consistent with its stated investment objective. At the close of the markets each trading day, the Adviser will position the Fund's portfolio so that its exposure to the Index is consistent with the Fund's investment objective. The impact of the Index's movements during the day will affect whether the Fund's portfolio needs to be re-positioned. For example, if the Index has fallen on a given day, net assets of the Fund should rise, meaning that the Fund's exposure will need to be increased. Conversely, if the Index has risen on a given day, net assets of the Fund should fall, meaning the

Fund's exposure will need to be reduced. This re-positioning strategy typically results in high portfolio turnover.

According to the Registration Statement, because of daily rebalancing and the compounding of each day's return over time, the return of the Fund for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from -100% of the return of the Index over the same period.

#### Non-Principal Investments

While under normal circumstances, at least 80% of the Fund's assets will be invested in Financial Instruments to establish net short positions, as described above, the Fund's remaining assets may be used to invest in cash and the following cash equivalents (in addition to cash or cash equivalents used to collateralize the Fund's investments in Financial Instruments): money market funds, depository accounts with institutions with high quality credit ratings, U.S. government securities that have terms-to-maturity of less than 397 days and repurchase agreements that have terms-to-maturity of less than 397 days.

#### Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including securities deemed illiquid by the Adviser, consistent with Commission guidance. 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 assets. Illiquid assets include securities subject

to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.<sup>10</sup>

The Fund is classified as diversified within the meaning of the 1940 Act.<sup>11</sup>

The Fund intends to maintain the required level of diversification and otherwise conduct its operations so as to qualify as a “regulated investment company” for purposes of the Internal Revenue Code of 1986.<sup>12</sup>

The Exchange is submitting this proposed rule change because the Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>13</sup> Specifically, as of May 23, 2016, 32.75% of the weight of the Index components have a minimum original principal amount outstanding of \$100 million or more.

---

<sup>10</sup> 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 fund. 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).

<sup>11</sup> The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

<sup>12</sup> 26 U.S.C. 851.

<sup>13</sup> Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

As of May 23, 2016, 95.87% of the weight of the Index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, as of May 23, 2016, the total dollar amount outstanding of issues in the Index was approximately \$248 billion and the average dollar amount outstanding of issues in the Index was approximately \$81 million. Further, as of May 23, 2016, the most heavily weighted component represents 0.43% of the weight of the Index and the five most heavily weighted components represent 1.88% of the weight of the Index.<sup>14</sup>

Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 3,063 issues and 474 unique issuers. In addition, the Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (95.87%) of the Index weight is composed of maturities that are part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues, as referenced above.

All statements and representations made in this filing regarding (i) the description of the portfolio, (ii) limitations on portfolio holdings or reference assets or (iii) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange.

---

<sup>14</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Equities Rule 5.5(m).

#### Valuation Methodology for Purposes of Determining Net Asset Value

The NAV of Shares, under normal market conditions, will be calculated each day that the New York Stock Exchange (“NYSE”) is open for business except for days on which the U.S. municipal bond markets are closed. The NAV will be calculated on each such day as of the close of the NYSE, which is typically 4:00 p.m. Eastern Time (“E.T.”). On days that the U.S. municipal bond markets close early, the NAV will be calculated as of the recommended closing time for the bond markets, which may be before 4:00 p.m. E.T., subject to the discretion of the Adviser.

For purposes of calculating NAV, the Fund will value its assets on the basis of market quotations, last sale prices or estimates of value furnished by pricing services or brokers who make markets in such instruments. If such information is not available for a security or instrument held by a Fund, if such information is determined to be unreliable by the Adviser, if the Adviser determines that the market price is stale or if, to the Adviser’s knowledge, such information does not reflect a significant event occurring after the close of the market on which the security principally trades but prior to the time at which the Fund calculates the NAV, the security will be valued at fair value estimates by the Adviser pursuant to policies and procedures established by the Board of Trustees (“Board”). The Fund may also establish fair value for an instrument if trading in a particular instrument is halted and trading does not resume prior to the

closing of the relevant exchange or market. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, the Adviser will compare the market quotation to the fair value price to evaluate the effectiveness of the Fund's fair valuation procedures and will use that market value in the next calculation of NAV.

If no last sale is reported on an exchange, the mean of the last bid and last offer prices will be used. Securities that are primarily traded on the NASDAQ Global Market ("NASDAQ") for which market quotations are readily available shall be valued using the NASDAQ Official Closing Price. If the NASDAQ Official Closing Price is not available, such securities shall be valued at the last sale price on the day of valuation, or if there has been no sale on such day, at the mean between the last bid and last sale prices.

Options will be valued at the last sales price of the respective exchange on which they trade. If there have been no trades for an option on that trading day, then the option will be valued at the mean of the last bid and ask quotations.

Swaps will be valued based upon prices from third party vendor models or quotations from market makers to the extent available.

Repurchase agreements will be valued on the basis of broker quotes or valuations provided by a third party pricing service, which in determining value utilizes information regarding recent sales, market transactions in comparable securities, quotations from dealers and various relationships between securities.

Short-term debt instruments having a remaining maturity of 60 days or less will be valued at amortized cost, which approximates market value. If the Board determines that the amortized cost method does not represent the fair value of the short-term debt instrument, the investment will be valued at fair value as determined by policies and procedures adopted by the Board. Debt

instruments with a maturity of greater than 60 days (other than U.S. government securities with maturities of greater than 60 days) will be valued at prices that reflect broker/dealer supplied valuations or are obtained from independent pricing services, which may consider the trade activity, treasury spreads, yields or price of bonds of comparable quality, coupon, maturity and type, as well as prices quoted by dealers who make markets in such securities.

Money market funds and depository accounts will be valued at NAV.

U.S. government securities with maturities of greater than 60 days will be valued at the mean of the closing bid price and offer price provided by an independent third-party pricing service.

Securities and other assets for which market quotations are not readily available, or for which the Adviser has reason to question the validity of quotations received, will be valued at fair value in accordance with policies and procedures adopted by the Board.

#### Derivatives Valuation Methodology for Purposes of Determining Intraday Indicative Value

In order to provide additional information regarding the intraday value of Shares of the Fund, the NYSE Arca or a market data vendor or other information providers will disseminate every 15 seconds an updated Intraday Indicative Value (“IIV”) for the Fund as calculated by a third party market data provider.

A third party market data provider will calculate the IIV for the Fund. The third party market data provider may use market quotes if available or may fair value securities against proxies (such as swap or yield curves). Swaps will be valued intraday based on the value of the reference assets as determined by a third-party market data provider. U.S. exchange-listed options may be valued intraday using the relevant exchange data, or another proxy as determined

to be appropriate by the third party market data provider.

#### Purchase and Issuance of Creation Units

The Trust will issue and sell Shares only in aggregations of “Creation Units” on a continuous basis through the Distributor, without a sales load, at their NAV next determined after receipt, on any business day, of an order in proper form received by the Distributor by 4:00 p.m. E.T. on any day that the NYSE is open for business except for days on which the U.S. municipal bond markets are closed. The number of Shares that constitute a Creation Unit will be 50,000 Shares and the value of such Creation Unit will be \$1.25 million USD. The size of a Creation Unit is subject to change.

Creation Units of Shares may be purchased only by or through an “Authorized Participant.”<sup>15</sup> Creation Units will be sold only for cash at their NAV next determined after receipt of the order, plus a transaction fee.

Purchase orders will be processed either through a manual clearing process (“Manual Clearing Process”) run at the Depository Trust Company (“DTC”) or through an enhanced clearing process (“Enhanced Clearing Process”) that is available only to those DTC participants that also are participants in the Continuous Net Settlement System of NSCC.

#### Redemption of Creation Units

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor on any business day. A redemption order must be received in good order by the Transfer Agent by 4:00 p.m. E.T. on any

---

<sup>15</sup> “Authorized Participants” include market makers, large investors and institutions who wish to deal in Creation Units directly with the Fund that have entered into an authorized participant agreement (“Authorized Participant Agreement”) with the Distributor and the Transfer Agent, or purchase through a dealer that has entered into an Authorized Participant Agreement.

day that the NYSE is open for business except for days on which the U.S. municipal bond markets are closed in order to receive the NAV determined on that day.

Orders to redeem Creation Units of the Fund using the Enhanced Clearing Process must be delivered through a DTC participant that has executed the Authorized Participant Agreement and has the ability to transact through the Federal Reserve System. A DTC participant who wishes to place a redemption order need not be an Authorized Participant, but such redemption orders must state that the DTC Participant is not using a clearing process and that redemption of Creation Units will instead be effected through the Manual Clearing Process (for cash and U.S. government securities). The order must be accompanied or preceded by the requisite number of Shares specified in such order, which delivery must be made through DTC or the Federal Reserve System to the custodian by the third business day following such date on which the order is received by the Transfer Agent.

The redemption proceeds for a Creation Unit of the Fund will consist solely of cash in an amount equal to the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, less the redemption transaction fee.

The right of redemption may be suspended or the date of payment postponed with respect to the Fund (1) for any period during which the NYSE is closed (other than customary weekend and holiday closings); (2) for any period during which trading on the NYSE is suspended or restricted; (3) for any period during which an emergency exists as a result of which disposal of the Shares of the Fund's portfolio securities or determination of its net asset value is not reasonably practicable; or (4) in such other circumstance as is permitted by the Commission.

The Exchange represents that: (1) except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the Shares of the Fund currently satisfy all of the generic listing

standards under NYSE Arca Equities Rule 5.2(j)(3); (2) the continued listing standards under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2) applicable to Units shall apply to the Shares; and (3) the Trust is required to comply with Rule 10A-3 under the Act<sup>16</sup> for the initial and continued listing of the Shares. In addition, the Exchange represents that the Shares will comply with all other requirements applicable to Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the Index and the applicable Intraday Indicative Value (“IIV”),<sup>17</sup> rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the Information Bulletin to Equity Trading Permit Holders (“ETP Holders”), as set forth in Exchange rules applicable to Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Units.<sup>18</sup>

The current value of the Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of the Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange’s Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(c).

---

<sup>16</sup> 17 CFR 240.10A-3.

<sup>17</sup> The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session of 9:30 a.m. to 4:00 p.m., E.T. Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association (“CTA”) or other data feeds.

<sup>18</sup> See, e.g., Securities Exchange Act Release Nos. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSE Arca-2007-36) (order approving NYSE Arca generic listing standards for Units based on a fixed income index); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (order approving generic listing standards for Units and Portfolio Depositary Receipts); 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (order approving rules for listing and trading of Units).

The Index value, calculated and disseminated at least once daily, as well as the components of the Index and their percentage weighting, will be available from major market data vendors. In addition, as disclosed in the Registration Statement, the portfolio of securities held by the Fund will be disclosed daily on the Fund's website at [www.direxioninvestments.com](http://www.direxioninvestments.com).

#### Availability of Information

The Fund's website ([www.direxioninvestments.com](http://www.direxioninvestments.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) the prior business day's reported composite closing price ("Market Close Price") and NAV, and a calculation of the premium and discount of the Market Close Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Market Close 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 Trust will disclose on its website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio. The website information will be publicly available at no charge.

Investors can also obtain the Fund’s Summary Prospectus, Prospectus, Statement of Additional Information (“SAI”) and its Shareholder Reports, filed twice a year. The Trust’s SAI and Shareholder Reports are available free upon request from the Trust. Additionally, the SAI and the Trust’s N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission’s website.

Quotation and last sale information for the Shares will be available via the Consolidated Tape Association (“CTA”) high speed line. Quotation and last sale information for such U.S. exchange-listed securities will be available from the exchange on which they are listed.

Quotation and last sale information for exchange-listed options cleared via the Options Clearing Corporation will be available via the Options Price Reporting Authority. One source of price information for municipal securities is the Electronic Municipal Market Access, which is administered by the Municipal Securities Rulemaking Board.

Price information for cash equivalents and swaps may be obtained from brokers and dealers who make markets in such securities or through nationally recognized pricing services through subscription agreements.

In addition, the IIV as defined in NYSE Arca Equities Rule 5.2(j)(3), Commentary .01(c) will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.

#### 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.<sup>19</sup> Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been

---

<sup>19</sup> See NYSE Arca Equities Rule 7.12.

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 of the Fund inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. If the IIV, Index value or the value of the Index components is not being disseminated as required, the Exchange may halt trading during the day in which the disruption occurs; if the interruption persists past the day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption. The Exchange will obtain a representation from the Fund that the NAV for the Fund will be calculated daily and will be made available to all market participants at the same time. Under NYSE Arca Equities Rule 7.34(a)(5), if the Exchange becomes aware that the NAV for the Fund is not being 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.

#### 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 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, 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.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2), except that the Index will not meet the requirements of Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), as described above. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>20</sup> under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares of the Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares of the Fund that the NAV will be made available to all market participants at the same time.

### Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange as well as cross-market 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.<sup>21</sup> 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 surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. 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.

---

<sup>20</sup> 17 CFR 240 10A-3.

<sup>21</sup> FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

The Exchange, or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, ETFs and options with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”), and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading such securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in such securities from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement (“CSSA”).<sup>22</sup> 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”).

Not more than 10% of the net assets of the Fund in the aggregate invested in exchange-traded options shall consist of options whose principal market is not a member of ISG or is a market with which the Exchange does not have a CSSA.

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

All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange.

The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations

---

<sup>22</sup> For a list of the current members of ISG, see [www.isgportal.org](http://www.isgportal.org). The Exchange notes that not all securities and financial instruments held by the Fund may trade on markets that are members of ISG or with which the Exchange has in place a CSSA.

under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under NYSE Arca Equities Rule 5.5(m).

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares of the Fund. 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 IIV or Index value will not be calculated or publicly disseminated; (4) how information regarding the IIV and Index value is 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 Act. The Bulletin will also disclose that the NAV for the Shares of the Fund will be calculated after 4:00 p.m. E.T. each trading day.

## 2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)<sup>23</sup> 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 5.2(j)(3). The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange, as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>24</sup> 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. The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. 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. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with

---

<sup>23</sup> 15 U.S.C. 78f(b)(5).

<sup>24</sup> 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.

which the Exchange has in place a CSSA. The Exchange and FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Index. As of May 23, 2016, there were approximately 3,063 issues in the Index. The Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>25</sup> Specifically, as of May 23, 2016, 32.75% of the weight of the Index components have a minimum original principal amount outstanding of \$100 million or more.

As of May 23, 2016, 95.87% of the weight of the Index components was composed of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, as of May 23, 2016, the total dollar amount outstanding of issues in the Index was approximately \$248 billion and the average dollar amount outstanding of issues in the Index was approximately \$81 million. Further, as of May 23, 2016, the most heavily weighted component represents 0.43% of the weight of the Index and the five most heavily weighted components represent 1.88% of the weight of the Index.<sup>26</sup> Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 3,063 issues and 474 unique issuers. The Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (95.87%) of the Index weight is composed of maturities that are part of an entire

---

<sup>25</sup> See note 13, supra.

<sup>26</sup> See note 14, supra.

municipal bond offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues, as referenced above.

The Index value, calculated and disseminated at least once daily, as well as the components of the Index and their respective percentage weightings, will be available from major market data vendors. In addition, as disclosed in the Registration Statement, the portfolio of securities held by the Fund will be disclosed on the Fund's website. The IIV for Shares of the Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. As disclosed in the Registration Statement, the Fund's portfolio holdings will be periodically disclosed on the Fund's website. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current value of the Index will be disseminated by one or more major market data vendors at least once per 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 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 a Bulletin of the special characteristics and risks associated with trading the Shares. If the Exchange becomes

aware that the NAV is not being 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. 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. 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. If the IIV or the Index values are not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the applicable IIV or Index value occurs. If the interruption to the dissemination of the applicable IIV or Index value persists past the trading day in which it occurred, the Corporation will halt trading. 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 7.34, which sets forth circumstances under which Shares of the Fund may be halted. In addition, investors will have ready access to information regarding the IIV, 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 exchange-traded product that invests principally in municipal securities and 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 CSSA. In

addition, investors will have ready access to information regarding the IIV 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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of financial investments related to exchange-traded product that invests principally in municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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 up to 90 days (i) as the Commission may designate 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 the 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2016-100 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-2016-100. 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-2016-100 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.<sup>27</sup>

Robert W. Errett  
Deputy Secretary

---

<sup>27</sup> 17 CFR 200.30-3(a)(12).