



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68862; File No. SR-NYSEArca-2013-08)

February 7, 2013

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to the Listing and Trading of the SPDR Blackstone/GSO Senior Loan ETF under NYSE Arca Equities Rule 8.600

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 January 24, 2013, 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the SPDR Blackstone/GSO Senior Loan ETF under NYSE Arca Equities Rule 8.600. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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

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

1. Purpose

The Exchange proposes to list and trade the shares ("Shares") of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares⁴ on the Exchange: SPDR Blackstone/GSO Senior Loan ETF (the "Fund").⁵ The Shares will be offered by SSgA Active ETF Trust (the "Trust"), which is organized as a Massachusetts business

⁴ 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) (the "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.

⁵ The Commission has previously approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of five fixed income funds of the PIMCO ETF Trust); 62502 (July 15, 2010), 75 FR 42471 (July 21, 2010) (SR-NYSEArca-2010-57) (order approving listing and trading of AdvisorShares WCM/BNY Mellon Focused Growth ADR ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving listing and trading of Cambria Global Tactical ETF); 63329 (November 17, 2010), 75 FR 71760 (November 24, 2010) (SR-NYSEArca-2010-86) (order approving listing and trading of Peritus High Yield ETF). Additionally, the Commission has previously approved the listing and trading of five other actively managed SSgA FM advised funds on the Exchange under Rule 8.600. Securities Exchange Act Release No. 66343 (February 7, 2012) 77 FR 7647 (February 13, 2012).

trust and is registered with the Commission as an open-end management investment company.⁶ SSgA Funds Management, Inc. (“Adviser” or “SSgA FM”) serves as the investment adviser to the Fund (the “Adviser”). GSO / Blackstone Debt Funds Management LLC will serve as sub-adviser (“Sub-Adviser” or “GSO”) to the Portfolio (as referenced below) and the Fund, subject to supervision by the Adviser and the Trust’s Board of Trustees (“Board”). State Street Global Markets, LLC (the “Distributor” or “Principal Underwriter”) will be the principal underwriter and distributor of the Fund’s Shares. State Street Bank and Trust Company (the “Administrator,” “Custodian” or “Transfer Agent”) will serve as administrator, custodian and transfer agent for the Fund.

Commentary .06 to Rule 8.600 provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. In addition, Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio.⁷ Commentary .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to

⁶ The Trust is registered under the 1940 Act. On April 1, 2011, the Trust filed with the Commission Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”), and under the 1940 Act relating to the Fund (File Nos. 333-173276 and 811-22542) (“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. 29524 (December 13, 2010) (File No. 812-13487) (“Exemptive Order”).

⁷ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and Sub-Adviser and their related personnel are subject to the provisions of Rule 204A-1 under

NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 in connection with the establishment of a “fire wall” between the investment adviser and the broker-dealer reflects the applicable open-end fund’s portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser and the Sub-Adviser are each affiliated with a broker-dealer and have implemented a “fire wall” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund’s portfolio. In the event (a) the Adviser or Sub-Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, they will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

SPDR Blackstone/GSO Senior Loan ETF

The investment objective of the Fund is to provide current income consistent with the preservation of capital. Under normal market conditions,⁸ the Fund will invest all of its assets in

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

⁸ The terms “under normal market conditions” or “under normal market circumstances” include, but are not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues causing

the shares of the Blackstone/GSO Senior Loan Portfolio (the “Portfolio”), a separate series of the SSgA Master Trust with an identical investment objective as the Fund. As a result, the Fund will invest indirectly through the Portfolio.

According to the Registration Statement, in pursuing its investment objective, the Fund, under normal market conditions, will seek to outperform a primary and secondary loan index (as described below), by investing at least 80% of its net assets (plus any borrowings for investment purposes) in “Senior Loans,” which are described further below in “Description of Senior Loans and the Senior Loan Market.” The S&P/LSTA U.S. Leveraged Loan 100 Index (the “Primary Index”) is comprised of the 100 largest Senior Loans, as measured by the borrowed amounts outstanding. The Markit iBoxx USD Leveraged Loan Index (the “Secondary Index”) selects the 100 most liquid Senior Loans in the market. In addition to size, liquidity is also measured, in part, based on the number of market makers who trade a specific Senior Loan and the number and size of transactions in the context of the prevailing bid/offer spread. Markit utilizes proprietary models for the Secondary Index composition and updates to the Secondary Index.

The Fund will not seek to track either the Primary or Secondary Index, but rather will seek to outperform those indices. In doing so, the Sub-Adviser represents that the Portfolio will

dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance. In periods of extreme market disturbance, the Fund may take temporary defensive positions, by overweighting its portfolio in cash/cash-like instruments; however, to the extent possible, the investment Sub-Adviser would continue to seek to achieve the Fund’s investment objective. Specifically, the Portfolio and Fund would continue to invest in Senior Loans. In response to prolonged periods of constrained or difficult market conditions the Sub-Adviser will likely focus on investing in the largest and most liquid loans available in the market.

primarily invest in Senior Loans.⁹ The Portfolio intends to hold a large percentage of the components of the Primary and Secondary Indices. It is anticipated that the Portfolio, in accordance with its principal investment strategy, will invest approximately 50% to 75% of its net assets in Senior Loans that are eligible for inclusion and meet the liquidity thresholds of the Primary and/or the Secondary Indices. Each of the Portfolio's Senior Loan investments is expected to have no less than \$250 million USD par outstanding.

The Sub-Adviser considers Senior Loans to be first lien senior secured floating rate bank loans. A Senior Loan is an advance or commitment of funds made by one or more banks or similar financial institutions to one or more corporations, partnerships or other business entities and typically pays interest at a floating or adjusting rate that is determined periodically at a designated premium above a base lending rate, most commonly the London-Interbank Offered Rate ("LIBOR"). A Senior Loan is considered senior to all other unsecured claims against the borrower, senior to or pari passu with all other secured claims, meaning that in the event of a bankruptcy the Senior Loan, together with other first lien claims, is entitled to be the first to be repaid out of proceeds of the assets securing the loans, before other existing unsecured claims or interests receive repayment. However, in bankruptcy proceedings, there may be other claims, such as taxes or additional advances which take precedence.¹⁰

⁹ The Sub-Adviser represents that, in general, the Portfolio (i.e., the master fund) is where investments will be held, which investments will primarily consist of Senior Loans; and may, to a lesser extent, include "other investments" as described under "Other Investments" below. The Fund (i.e., the feeder fund) will invest in shares of the Portfolio and will not invest in "Other Investments," but may be exposed to such investments by means of the Fund's investment in shares of the Portfolio. In extraordinary instances, the Fund reserves the right to make direct investments in Senior Loans and other investments.

¹⁰ Senior Loans consist generally of obligations of companies and other entities (collectively, "borrowers") incurred for the purpose of reorganizing the assets and liabilities of a borrower; acquiring another company; taking over control of a company

According to the Registration Statement, the Portfolio will invest in Senior Loans that are made predominantly to businesses operating in North America, but may also invest in Senior Loans made to businesses operating outside of North America. The Portfolio may invest in Senior Loans directly, either from the borrower as part of a primary issuance or in the secondary market through assignments of portions of Senior Loans from third parties, or participations in Senior Loans, which are contractual relationships with an existing lender in a loan facility whereby the Portfolio purchases the right to receive principal and interest payments on a loan but the existing lender remains the record holder of the loan. Under normal market conditions, the Portfolio expects to maintain an average interest rate duration of less than 90 days.

In selecting securities for the Portfolio, the Portfolio's Sub-Adviser will seek to construct a portfolio of loans that it believes is less volatile than the general loan market. In addition, when making investments, the Sub-Adviser will seek to maintain appropriate liquidity and price transparency for the Portfolio. On an on-going basis, the Sub-Adviser will add or remove those individual loans that it believes will cause the Portfolio to outperform or underperform, respectively, either the Primary or Secondary Index.

When identifying prospective investment opportunities in Senior Loans, the Sub-Adviser currently intends to invest primarily in Senior Loans that are below investment grade quality and will rely on fundamental credit analysis in an effort to attempt to minimize the loss of the Portfolio's capital.¹¹ The Sub-Adviser expects to invest in Senior Loans or other debt of

(leveraged buyout); temporary refinancing; or financing internal growth or other general business purposes. Senior Loans are often obligations of borrowers who have incurred a significant percentage of debt compared to equity issued and thus are highly leveraged.

¹¹ The Portfolio will primarily invest in securities (including Senior Loans) which typically will be rated below investment grade. Securities rated below investment grade, commonly referred to as "junk" or "high yield" securities, include securities that are rated Ba1/BB+/BB+ or below by Moody's Investors Service, Inc. ("Moody's"), Fitch Inc., or

companies possessing the attributes described below, which it believes will help generate higher risk adjusted total returns.¹² The Sub-Adviser does not intend to purchase Senior Loans that are in default. However, the Portfolio may hold a Senior Loan that has defaulted subsequent to its purchase by the Portfolio.

The Sub-Adviser intends to invest in Senior Loans or other debt of companies that it believes have developed strong positions within their respective markets and exhibit the potential to maintain sufficient cash flows and profitability to service their obligations in a range of economic environments. The Sub-Adviser will seek Senior Loans or other debt of companies that it believes possess advantages in scale, scope, customer loyalty, product pricing, or product quality versus their competitors, thereby minimizing business risk and protecting profitability.

Standard & Poor's, Inc. ("S&P"), respectively, and may involve greater risks than securities in higher rating categories.

¹² According to the Registration Statement, the loan market, as represented by the S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index, experienced significant growth in terms of number and aggregate volume of loans outstanding since the inception of the index in 1997. In 1997, the total amount of loans in the market aggregated less than \$10 billion. By April of 2000, it had grown to over \$100 billion, and by July of 2007 the market had grown to over \$500 billion. The size of the market peaked in November of 2008 at \$594 billion. During this period, the demand for loans and the number of investors participating in the loan market also increased significantly.

According to the Registration Statement, since 2008, the aggregate size of the market has contracted, characterized by limited new loan issuance and payoffs of outstanding loans. From the peak in 2008 through July 2010, the overall size of the loan market contracted by approximately 15%. The number of market participants also decreased during that period. Although the number of new loans being issued in the market since 2010 is increasing, there can be no assurance that the size of the loan market, and the number of participants, will return to earlier levels. An increase in demand for Senior Loans may benefit the Fund by providing increased liquidity for such loans and higher sales prices, but it may also adversely affect the rate of interest payable on such loans acquired by the Portfolio and the rights provided to the Portfolio under the terms of the applicable loan agreement, and may increase the price of loans that the Portfolio wishes to purchase in the secondary market. A decrease in the demand for Senior Loans may adversely affect the price of loans in the Portfolio, which could cause the Fund's net asset value ("NAV") to decline.

The Sub-Adviser intends to invest primarily in Senior Loans or other debt of established companies which have demonstrated a record of profitability and cash flows over several economic cycles. The Sub-Adviser believes such companies are well-positioned to maintain consistent cash flow to service and repay their obligations and maintain growth in their businesses or market share. The Sub-Adviser does not intend to invest in Senior Loans or other debt of primarily start-up companies, companies in turnaround situations or companies with speculative business plans.

The Sub-Adviser intends to focus on investments in which the Senior Loans or other debt of a target company has an experienced management team with an established track record of success. The Sub-Adviser will typically require companies to have in place proper incentives to align management's goals with the Portfolio's goals.

Often the Sub-Adviser will seek to participate in transactions sponsored by what it believes to be high-quality private equity firms. The Sub-Adviser believes that a private equity sponsor's willingness to invest significant sums of equity capital into a company is an implicit endorsement of the quality of the investment. Further, private equity sponsors of companies with significant investments at risk have the ability and a strong incentive to contribute additional capital in difficult economic times should operational issues arise.

The Sub-Adviser will seek to invest in Senior Loans or other debt broadly among companies and industries, thereby potentially reducing the risk of a downturn in any one company or industry having a disproportionate impact on the value of the Portfolio's holdings. However, as a result of its investment in participations in loans and the fact that originating banks may be deemed issuers of loans, the Portfolio may be deemed to concentrate its

investments in the financial services industries. Loans, and the collateral securing them, are typically monitored by agents for the lenders, which may be the originating bank or banks.¹³

The Portfolio and the Fund are expected to be managed in a “master-feeder” structure, under which the Fund, under normal market conditions, will invest all of its assets in the Portfolio, the corresponding “master fund,” which is a separate 1940 Act-registered mutual fund that has an identical investment objective. As a result, the Fund (i.e., a “feeder fund”) has an indirect interest in all of the securities owned by the Portfolio. Because of this indirect interest, the Fund’s investment returns should be the same as those of the Portfolio, adjusted for the expenses of the Fund. In extraordinary instances, the Fund reserves the right to make direct investments.

The Sub-Adviser will manage the investments of the Portfolio. Under the master-feeder arrangement, investment advisory fees charged at the master-fund level are deducted from the advisory fees charged at the feeder-fund level. According to the Registration Statement, this arrangement avoids a “layering” of fees, e.g., the Fund’s total annual operating expenses would be no higher as a result of investing in a master-feeder arrangement than they would be if the Fund pursued its investment objectives directly. In addition, the Fund may discontinue investing

¹³ According to the Registration Statement, the Portfolio may be reliant on the creditworthiness of the agent bank and other intermediate participants in a Senior Loan, in addition to the borrower, since rights that may exist under the loan against the borrower if the borrower defaults are typically asserted by or through the agent bank or intermediate participant. Agents are typically large commercial banks, although for Senior Loans that are not broadly syndicated they can also include thrift institutions, insurance companies or finance companies (or their affiliates). Such companies may be especially susceptible to the effects of changes in interest rates resulting from changes in U.S. or foreign fiscal or monetary policies, governmental regulations affecting capital raising activities or other economic or market fluctuations. It is the expectation that the Portfolio will only invest in broadly syndicated loans.

through the master-feeder arrangement and pursue its investment objectives directly if the Trust's Board of Trustees determines that doing so would be in the best interests of shareholders.

According to the Registration Statement, historically, the amount of public information available about a specific Senior Loan has been less extensive than if the loan were registered or exchange-traded. As noted above, the loans in which the Portfolio will invest will, in most instances, be Senior Loans, which are secured and senior to other indebtedness of the borrower. Each Senior Loan will generally be secured by collateral such as accounts receivable, inventory, equipment, real estate, intangible assets such as trademarks, copyrights and patents, and securities of subsidiaries or affiliates. The value of the collateral generally will be determined by reference to financial statements of the borrower, by an independent appraisal, by obtaining the market value of such collateral, in the case of cash or securities if readily ascertainable, or by other customary valuation techniques considered appropriate by the Sub-Adviser. The value of collateral may decline after the Portfolio's investment, and collateral may be difficult to sell in the event of default. Consequently, the Portfolio may not receive all the payments to which it is entitled. By virtue of their senior position and collateral, Senior Loans typically provide lenders with the first right to cash flows or proceeds from the sale of a borrower's collateral if the borrower becomes insolvent (subject to the limitations of bankruptcy law, which may provide higher priority to certain claims such as employee salaries, employee pensions, and taxes). This means Senior Loans are generally repaid before unsecured bank loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders. To the extent that the Portfolio invests in unsecured loans, if the borrower defaults on such loan, there is no specific collateral on which the lender can foreclose. If the borrower defaults on a subordinated loan, the collateral may not be sufficient to cover both the senior and subordinated loans.

According to the Registration Statement, there is no organized exchange on which loans are traded and reliable market quotations may not be readily available. A majority of the Portfolio's assets are likely to be invested in loans that are less liquid than securities traded on national exchanges. Loans with reduced liquidity involve greater risk than securities with more liquid markets. Available market quotations for such loans may vary over time, and if the credit quality of a loan unexpectedly declines, secondary trading of that loan may decline for a period of time. During periods of infrequent trading, valuing a loan can be more difficult and buying and selling a loan at an acceptable price can be more difficult and delayed. In the event that the Portfolio voluntarily or involuntarily liquidates Portfolio assets during periods of infrequent trading, it may not receive full value for those assets. Therefore, elements of judgment may play a greater role in valuation of loans. To the extent that a secondary market exists for certain loans, the market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

According to the Registration Statement, Senior Loans will usually require, in addition to scheduled payments of interest and principal, the prepayment of the Senior Loan from free cash flow, as described in the Registration Statement. The degree to which borrowers prepay Senior Loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the borrower and competitive conditions among loan investors, among others. As such, prepayments cannot be predicted with accuracy. Recent market conditions, including falling default rates among others, have led to increased prepayment frequency and loan renegotiations. These renegotiations are often on terms more favorable to borrowers. Upon a prepayment, either in part or in full, the actual outstanding debt

on which the Portfolio derives interest income will be reduced. However, the Portfolio may receive a prepayment penalty fee assessed against the prepaying borrower.

Other Investments

According to the Registration Statement, in addition to the principal investments described above, the Portfolio may invest in other investments, as described below. The Fund may (indirectly through its investments in the Portfolio or, in extraordinary circumstances, directly) invest in the following types of investments. The investment practices of the Portfolio are the same in all material respects to those of the Fund.

The Portfolio may invest in bonds, including corporate bonds; high yield debt securities; and U.S. Government obligations.¹⁴ The Portfolio also may invest in preferred securities.

The Portfolio may invest in repurchase agreements with commercial banks, brokers or dealers to generate income from its excess cash balances and its securities lending cash collateral. A repurchase agreement is an agreement under which the Portfolio acquires a financial instrument (e.g., a security issued by the U.S. government or an agency thereof, a banker's acceptance or a certificate of deposit) from a seller, subject to resale to the seller at an agreed upon price and date (normally, the next business day). A repurchase agreement may be considered a loan collateralized by securities. In addition, the Portfolio may enter into reverse repurchase agreements, which involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing.

¹⁴ U.S. Government obligations are a type of bond and include securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities. The Portfolio also may purchase U.S. registered, dollar-denominated bonds of foreign corporations, governments, agencies and supra-national entities.

The Portfolio may invest in commercial paper. Commercial paper consists of short-term, promissory notes issued by banks, corporations and other entities to finance short-term credit needs. These securities generally are discounted but sometimes may be interest bearing.

Subject to limitations, the Portfolio may invest in secured loans that are not first lien loans or loans that are unsecured. These loans have the same characteristics as Senior Loans except that such loans are not first in priority of repayment and/or may not be secured by collateral. Accordingly, the risks associated with these loans are higher than the risks for loans with first priority over the collateral. Because these loans are lower in priority and/or unsecured, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower or in the case of a default, recoveries may be lower for unsecured loans than for secured loans.¹⁵

The Portfolio may invest in short-term instruments, including money market instruments (including money market funds advised by the Adviser), cash and cash equivalents, on an ongoing basis to provide liquidity or for other reasons.

The Portfolio may invest in the securities of other investment companies, including closed-end funds (including loan-focused closed end funds), subject to applicable limitations under Section 12(d)(1) of the 1940 Act.¹⁶ To the extent allowed by law, regulation, the

¹⁵ According to the Registration Statement, secured loans that are not first lien and loans that are unsecured generally have greater price volatility than Senior Loans and may be less liquid. There is also a possibility that originators will not be able to sell participations in these loans, which would create greater credit risk exposure for the holders of such loans. Secured loans that are not first lien and loans that are unsecured share the same risks as other below investment grade instruments.

¹⁶ The Portfolio may invest in other debt or fixed income exchange-traded funds (“ETFs”), such as securities listed on the Exchange under NYSE Arca Equities Rules 5.2(j)(3), 8.100 and 8.600, (including ETFs managed by the Adviser). ETFs may be structured as investment companies that are registered under the 1940 Act, typically as open-end funds or unit investment trusts. These ETFs are generally based on specific domestic and

Portfolio's investment restrictions and the Trust's Exemptive Order, the Portfolio may invest its assets in securities of investment companies that are money market funds, including those advised by the Adviser or otherwise affiliated with the Adviser, in excess of the limits discussed above.

In addition, the Portfolio may invest in exchange-traded notes ("ETNs"), such as securities listed on the Exchange under NYSE Arca Equities Rule 5.2(j)(6), which are debt obligations of investment banks that are traded on exchanges and the returns of which are linked to the performance of certain reference assets, which may include market indexes.

The Portfolio will not invest 25% or more of the value of its total assets in securities of issuers in any one industry; however it may be deemed to concentrate its investment in any of the industries or group of industries in the financial services sector (consisting of financial institutions, including commercial banks, insurance companies and other financial companies and their respective holding companies) to the extent that the banks originating or acting as agents for the lenders, or granting or acting as intermediaries in participation interests, in loans held by the Portfolio are deemed to be issuers of such loans.¹⁷

The Portfolio may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities, junior subordinated loans and unsecured loans deemed illiquid by the Adviser and Sub-Adviser. The Portfolio 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

foreign market securities indices.

¹⁷ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

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 Portfolio's net assets are held in illiquid securities. Illiquid securities include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.¹⁸

Except for investments in ETFs that may hold non-U.S. issues, the Portfolio will not otherwise invest in non-U.S.-registered equity issues.

The Portfolio will not invest in options contracts, futures contracts or swap agreements.

In certain situations or market conditions, the Portfolio may temporarily depart from its normal investment policies and strategies provided that the alternative is consistent with the Portfolio's investment objective and is in the best interest of the Portfolio. For example, the Portfolio may hold a higher than normal proportion of its assets in cash in times of extreme market stress.¹⁹ The Portfolio may borrow money from a bank as permitted by the 1940 Act or other governing statute, by applicable rules thereunder, or by Commission or other regulatory agency with authority over the Portfolio, but only for temporary or emergency purposes.

¹⁸ 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).

¹⁹ See note 8, supra.

The Portfolio will be classified as a “diversified” investment company under the 1940 Act.²⁰

The Portfolio intends to qualify for and to elect treatment as a separate regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code.²¹

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

Criteria to be Applied to the Fund

While the Fund, which would be listed pursuant to the criteria applicable to actively managed funds under NYSE Arca Equities Rule 8.600, is not eligible for listing under NYSE Arca Equities Rule 5.2(j)(3) applicable to listing and trading of Investment Company Units based on a securities index, the Adviser and Sub-Adviser represent that, under normal market conditions, the Fund would satisfy the generic fixed income initial listing requirements in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 on a continuous basis measured at the time of purchase, as described below.²²

²⁰ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act (15 U.S.C. 80a-5).

²¹ 26 U.S.C. 851.

²² NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 sets forth generic listing criteria applicable to listing under Rule 19b-4(e) under the Exchange Act of Investment Company Units (“Units”) based on an index or portfolio of “Fixed Income Securities,” which are debt securities that are notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof. NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a) is as follows: (a) Eligibility Criteria for Index Components. Upon the initial listing of a series of Units pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 on the Corporation, the components of an index or portfolio underlying a series of Units shall meet the following criteria: (1) The index or portfolio must consist of Fixed Income Securities; (2) Components that in aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of

With respect to the requirement of Commentary .02(a)(1), as noted in the Registration Statement, the Fund (though its investment in the Portfolio) will invest at least 80% of its net assets (plus any borrowings for investment purposes) in Senior Loans. The Adviser and Sub-Adviser expect that substantially all of the Fund's assets will be invested in Fixed Income Securities or cash/cash-like instruments. With respect to the requirement of Commentary .02(a)(2), the Portfolio's Adviser and Sub-Adviser expect that substantially all, but at least 75% of the Portfolio's portfolio will be invested in loans that have an aggregate outstanding exposure of greater than \$100 million. With respect to the requirement of Commentary .02(a)(3), the Sub-Adviser represents that the Portfolio will not typically invest in convertible securities; however, should the Portfolio make such investments, the Sub-Adviser would direct the Portfolio to divest any converted equity security as soon as practicable.

With respect to the requirement of Commentary .02(a)(4), the Sub-Adviser represents that the Portfolio will not concentrate its investments in excess of 30% in any one security

\$100 million or more; (3) A component may be a convertible security, however, once the convertible security component converts to the underlying equity security, the component is removed from the index or portfolio; (4) No component fixed-income security (excluding Treasury Securities and GSE Securities) 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; (5) An underlying index or portfolio (excluding one consisting entirely of exempted securities) must include a minimum of 13 non-affiliated issuers; and (6) Component securities that in aggregate account for at least 90% of the weight of the index or portfolio must be either a) from issuers that are required to file reports pursuant to Sections 13 and 15(d) of the Securities Exchange Act of 1934; b) from issuers that have a worldwide market value of its outstanding common equity held by non-affiliates of \$700 million or more; c) from issuers that have outstanding securities that are notes, bonds debentures, or evidence of indebtedness having a total remaining principal amount of at least \$1 billion; d) exempted securities as defined in Section 3(a)(12) of the Securities Exchange Act of 1934; or e) from issuers that are a government of a foreign country or a political subdivision of a foreign country.

(excluding Treasury Securities and GSE Securities), and will not invest more than 65% of its assets in five or fewer securities (excluding Treasury Securities and GSE Securities).

With respect to the requirement of Commentary .02(a)(5), the Sub-Adviser represents that the Portfolio will invest in Senior Loans issued to at least 13 non-affiliated borrowers.

With respect to the requirements of Commentary .02(a)(6), the Sub-Adviser represents that the Portfolio's portfolio may make investments on a continuous basis in compliance with such requirement at the time of purchase; however, the market for Senior Loans differs in several material respects from the market of other fixed income securities (e.g., bonds). A significant percentage of the Senior Loan market would not meet the criteria set forth in Commentary .02(a)(6), but would be readily tradable in the secondary market. For the 12 month period ending August 12, 2012, 53.4% of the borrowers of primary Senior Loans (also known as leveraged loans) had total indebtedness of \$1 billion or less and Senior Loans outstanding of \$250 million or more. (Source: S&P). In order to add to the Portfolio's diversification and to expand the Portfolio's investment universe, the Portfolio may invest in Senior Loans borrowed by entities that would not meet the criteria set forth in Commentary .02(a)(6) above provided the borrower has at least \$250 million outstanding in Senior Loans. The Senior Loans borrowed by such entities would be well known to participants in the Senior Loan markets, would typically attract multiple market makers, and would share liquidity and transparency characteristics of senior secured debt borrowed by entities meeting the criteria in the generic listing criteria of NYSE Arca Equities Rule 5.2(j)(3), Commentary .02.

Description of Senior Loans and the Senior Loan Market

The Sub-Adviser represents that Senior Loans represent debt obligations of sub-investment grade corporate borrowers, similar to high yield bonds; however, Senior Loans are

different from traditional high yield bonds in several important respects. First, Senior Loans are typically senior to other obligations of the borrower and secured by the assets of the borrower. Senior Loans rank at the top of a borrower's capital structure in terms of priority of payment, ahead of any subordinated debt (high yield) or the borrower's common equity. These loans are also secured, as the holders of these loans have a lien on most if not all of the corporate issuer's plant, property, equipment, receivables, cash balances, licenses, trademarks, etc. Furthermore, the corporate borrower of Senior Loans executes a credit agreement that typically restricts what it can do (debt incurrence, asset dispositions, etc.) without the lenders' approval, and, in addition, often requires the borrower to meet certain ongoing financial covenants (EBITDA, leverage tests, etc.). Finally, Senior Loans are floating rate obligations which typically pay a fixed spread over 3 month LIBOR.

Institutional investors access the market today primarily through commingled funds or separately managed accounts. Individual investors have gained exposure to Senior Loans primarily through registered open end or closed end mutual funds and business development companies or occasionally through limited partnerships.

The performance of a Senior Loans portfolio is driven by credit selection. Investing in Senior Loans involves detailed credit analysis and sound investment judgment culminating in the timely payout of interest and ultimate return of principal. Loans are generally prepayable at any time, typically without penalty. Loans are typically purchased at close to 100 ("par") and are also typically repaid at 100; the return to the investor comes from the quarterly interest coupons and the return of principal. Underperformance comes from making investment misjudgments

whereby the corporate borrower fails to repay the loan at maturity or otherwise defaults on the obligation.²³

The Sub-Adviser represents that the Senior Loan market, in terms of total outstanding loans by dollar volume is approximately equal in size to the high yield corporate bond market in the U.S. - between \$1.2 trillion and \$1.5 trillion. The market for Senior Loans is almost exclusively comprised of non-investment grade corporate borrowers. The Loan Syndication and Trading Association (“LSTA”), a trade group sponsored by both underwriters of and institutional investors in senior bank loans, has been tracking trading volumes and bid-offer spreads for the asset class since 2007. For the month ended June 30, 2012 - a representative period - \$30 billion of Senior Loans changed hands representing 1,109 individual transactions. (Source: LSTA.) Average quarterly Senior Loan trading volume exceeded \$100 billion during 2011. Quarterly trading volumes fell modestly to \$98 billion in the second calendar quarter of 2012.²⁴

The Portfolio, as noted above, will primarily invest in the more liquid and higher rated segment of the Senior Loan market. The average credit rating of the Senior Loans that the Fund typically will hold will be rated between BB+ and B+ as rated by S&P. The most actively traded loans will generally have a tranche size outstanding (or total float of the issue) in excess of \$250

²³ Additional capital features inherent to Senior Loans include the following: (1) such loans are subject to mandatory and discretionary prepayments and can be prepaid in full, often without penalty, for a variety of reasons; (2) companies may opt to refinance an existing loan at a lower spread or repay the loan with a high yield bond issuance; (3) required excess cash flow sweeps; (4) covenants requiring loan prepayment from proceeds of asset sales; and (5) quarterly amortization.

²⁴ As of October 2012, 195 open ended loan funds and open ended bond funds were invested in the Senior Loan market as a primary or secondary asset class. (Source: Morningstar.) As of October 2012, there were approximately \$65 billion of assets under management in 39 open ended loan funds and approximately \$252 billion of assets under management in 158 open ended high yield bond funds. 86 of the 158 open ended high yield bond funds made an allocation to Senior Loans, and, among high yield bond funds that had an allocation to Senior Loans, such allocation was 4.99% on average. (Source: Morningstar Direct.)

million. The borrowers of these broadly syndicated bank loans will typically be followed by many “buy-side” and “sell-side” credit analysts who will in turn rely on the borrower to provide transparent financial information concerning its business performance and operating results. The Sub-Adviser represents that such borrowers typically provide significant financial transparency to the market through the delivery of financial statements on at least a quarterly basis as required by the executed credit agreements. Additionally, bid and offers in the Senior Loans are available throughout the trading day on larger Senior Loans issues with multiple dealer quotes available.

The Sub-Adviser represents that the underwriters, or agent banks, which distribute, syndicate and trade Senior Loans are among the largest global financial institutions, including JPMorgan, Bank of America, Citigroup, Goldman Sachs, Morgan Stanley, Wells Fargo, Deutsche Bank, Barclays, Credit Suisse and others. It is common for multiple firms to act as underwriters and market makers for a specific Senior Loan issue. For example, two underwriters may co-underwrite and fund a Senior Loan that has a \$1 billion institutional tranche. One of the underwriters acting as syndication agent for the financing, will then draft an offering memorandum (similar to an equity IPO prospectus), distribute it to potential investors, schedule management meetings with the largest loan investors and arrange a bank meeting that includes management presentations along with a question and answer session. The investor audience attends in person as well as via telephone with both live and recorded conference call options. After a two week syndication process where investors can complete their due diligence work with access to company management and underwriter bankers to answer credit questions, investors’ commitments are collected by the underwriter. The underwriter will typically allocate the loan to 80-120 investors within the following week, with the largest position representing 3-5% of the tranche size in a successful syndication. The underwriters will both make executable

two sided markets in the loan with eighth to a quarter point bid/ask spreads on sizes in the \$2 million to \$20 million range, depending on the issue. Other banks also have Senior Loan trading desks that make secondary bid/ask markets in the loans after they are allocated. Senior Loan investors can also obtain information on Senior Loans and their borrowers from numerous public sources, including Bloomberg, FactSet, public financial statement filings (Forms 10-K and 10-Q), and sell side research analysts.

The Sub-Adviser represents that the segment of the Senior Loan market that the Portfolio will focus on is highly liquid. Senior Loans of \$250 million or more in issuance are typically quite liquid and will have multiple market makers and typically 75 or more institutional holders. The standard bid/offer spreads for such loans are $\frac{1}{4}$ to $\frac{1}{2}$ point, although the largest firms, such as the Sub-Adviser, can transact on a $\frac{1}{8}$ th point market across dealers for Senior Loans of \$250 million or more outstanding.²⁵

The Sub-Adviser represents that, while Senior Loans are not reported through TRACE,²⁶ there is significant transparency with dealers updating investors on trades and trading activity throughout the day. Dealers update their “trading runs” of Senior Loans throughout the day and distribute these via electronic messaging to the institutional investor community. The Adviser represents further that, upon commencement of trading in the Fund, the Adviser and Sub-Adviser

²⁵ The Exchange notes that the PowerShares Senior Loan Portfolio (Symbol: BKLN), is an index-based exchange-traded fund listed on the Exchange since March 5, 2011 under NYSE Arca Equities Rule 5.2(j)(3). The underlying index for BKLN is the S&P/LSTA U.S. Leveraged Loan 100 Index, the Fund’s Primary Index. As of November 20, 2012, BKLN had assets under management of approximately \$1.28 billion. Since inception, BKLN’s average daily trading volume has been 545,065 shares, with an average premium/discount to NAV of 0.43%.

²⁶ TRACE (Trade Reporting and Compliance Engine), is a vehicle developed by the Financial Industry Regulatory Authority (“FINRA”) that facilitates the mandatory over-the-counter secondary market transactions in eligible fixed income securities.

would ensure that all “Authorized Participants” (as described below) for the Portfolio were added to these intraday market maker Senior Loan “trading runs.”

Description of the S&P/LSTA U.S. Leveraged Loan 100 Index²⁷

The Primary Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market. The Primary Index consists of 100 loan facilities drawn from a larger benchmark - the S&P/LSTA Leveraged Loan Index (“LLI”) - which covers more than 900 facilities and, as of June 30, 2011, had a market value of more than US\$ 490 billion. As of June 30, 2011, the Primary Index had a total market value of US\$ 183.4 billion.

The Primary Index is designed to reflect the largest facilities in the leveraged loan market. It mirrors the market-weighted performance of the largest institutional leveraged loans based upon market weightings, spreads and interest payments.

The Primary Index is rules based, although the S&P/LSTA U.S. Leveraged Loan 100 Index Committee (the “Index Committee,” described below) reserves the right to exercise discretion when necessary.²⁸

The Primary Index is rebalanced semi-annually to avoid excessive turnover, but reviewed weekly to reflect pay-downs and ensure that the Primary Index portfolio maintains 100 loan facilities. The constituents of the Primary Index (the “Index Loans”) are drawn from a universe of syndicated leveraged loans representing over 90% of the leveraged loan market.

²⁷ The description herein of the Primary Index is based on information in “S&P LSTA U.S. Leveraged Loan 100 Index Methodology, August 2011” (“Primary Index Description”).

²⁸ S&P 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 Primary Index.

All syndicated leveraged loans covered by the LLI universe are eligible for inclusion in the Primary Index. Term loans from syndicated credits must meet the following criteria at issuance in order to be eligible for inclusion in the LLI:

- Senior secured
- Minimum initial term of one year
- Minimum initial spread of LIBOR + 125 basis points
- U.S. dollar denominated.

All Primary Index loans must have a publicly assigned CUSIP.

According to the Primary Index Description, the Primary Index is designed to include the largest loan facilities from the LLI universe. Par outstanding is a key criterion for loan selection. Loan facilities are included if they are among the largest first lien facilities from the Primary Index in terms of par amount outstanding. There is no minimum size requirement on individual facilities in the Primary Index, but the LLI universe minimum is US\$ 50 million. Only the 100 largest first lien facilities from the LLI that meet all eligibility requirements are considered for inclusion. The Primary Index covers all borrowers regardless of origin; however, all facilities must be denominated in U.S. dollars.

A Primary Index addition is generally made only if a vacancy is created by a Primary Index deletion. Primary Index additions are reviewed on a weekly basis and are made according to par outstanding and overall liquidity. Liquidity is determined by the par outstanding and number of market bids available. Facilities are retired when they are no longer priced by “LSTA/LPC Mark-to-Market Pricing” or when the facility is repaid.²⁹

²⁹ LSTA/LPC Mark-to-Market Pricing is used to price each loan in the index. LSTA/LPC Mark-to-Market Pricing is based on bid/ask quotes gathered from dealers and is not based

Each loan facility's total return is calculated by aggregating the interest return, reflecting the return due to interest paid and accrued interest, and price return, reflecting the gains or losses due to changes in end-of-day prices and principal prepayments.

The Primary Index is maintained in accordance with the following rules:

- The Primary Index is reviewed each week to ensure that it includes 100 Index Loans.
- A complete review and rebalancing of all Primary Index constituents is completed on a semi-annual basis coinciding with the last weekly rebalance in June and in December
- Eligible loan facilities approved by the Primary Index Committee are added to the Primary Index during the semi-annual rebalancing. Eligible loan facilities are added to the Primary Index at the weekly review only if other facilities are repaid or otherwise drop out of the Primary Index, in order to maintain 100 Index Loans.
- Any loan facility that fails to meet any of the eligibility criteria or that has a term to maturity less than or equal to 12 months plus 1 calendar day, as of the weekly Rebalancing Date, will not be included in the Primary Index.
- Par amounts of Primary Index loans will be adjusted on the weekly Rebalancing Date to reflect any changes that have occurred since the previous Rebalancing Date, due, for example, to partial pre-payments and pay-downs.³⁰

upon derived pricing models. The Primary Index uses the average bid for its market value calculation.

³⁰ The Sub-Adviser represents that loan prepayments in 2011 were 40% of the S&P/LSTA Leveraged Loan Index and LTM September 30, 2012 are 28% (Source: LCD Quarterly Review, Third Quarter 2012). As a result of prepayments, the weighted average life of a loan is typically 2-3 years versus average maturity of 5-7 years. Existing investors in the Senior Loan may decline to participate in a loan refinancing that occurs at a lower spread in which case the loan would be repaid.

- Constituent facilities are capped at 2% of the Primary Index and drawn-down at the weekly rebalancing. When a loan facility exceeds the 2% cap, the weight is reduced to 1.90% and the proceeds are invested in the other Primary Index components on a relative-weight basis.

The Primary Index is normally reviewed and rebalanced on a weekly basis to maintain 100 constituents. The Primary Index Committee (as described below), nevertheless, reserves the right to make adjustments to the Primary Index at any time that it believes appropriate.

Weekly Primary Index rebalancing maintenance (additions, deletions, pay-downs, and other changes to the Primary Index) is based on data as of Friday (or the last business day of the week in the case of holidays) and is announced the following Wednesday (or Tuesday in the case of a holiday) for implementation on the following Friday. Publicly available information, up to and including each Wednesday's close, is considered in each weekly rebalancing.

Primary Index changes published in the announcement generally are not subject to revision and will become effective on the date listed in the announcement.

The Primary Index Committee

The Primary Index Committee maintains the Primary Index.³¹ The Primary Index Committee is comprised of employees of S&P. The Primary Index Committee is chaired by the Managing Director and Primary Index Committee Chairman at S&P.

Meetings are held annually and, from time to time, as needed. It is the sole responsibility of the Primary Index Committee to decide on all matters relating to methodology, maintenance, constituent selection and index procedures. The Primary Index Committee makes decisions

³¹ The Primary Index Committee has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Primary Index.

based on all available information and Primary Index Committee discussions are kept confidential to avoid any unnecessary impact on market trading.

Markit iBoxx USD Liquid Leveraged Loan Index³²

According to the Secondary Index Description, the Markit iBoxx USD Liquid Leveraged Loan Index is a subset of the benchmark Markit iBoxx USD Leveraged Loan Index (USD LLI). The Secondary Index limits the number of constituent loans by selecting larger and more liquid loans from the wider USD LLI index universe as determined by the Liquidity Ranking Procedure, described below. The procedure utilizes daily liquidity scores from the Markit Loan Pricing Service, which is a broader measure of liquidity, summarizing the performance of each loan across several liquidity metrics, such as number of quotes, or bid-offer sizes.³³

The selection process for the Secondary Index will be used on the index inception date and at every monthly rebalancing (“Secondary Index Selection Date”). The selection process will involve the identification of the eligible universe using the eligibility criteria set out below. If the size of the eligible universe is greater than the target number of loans, the Liquidity Ranking Procedure will be used to determine the final index constituents. Once the index members are selected, they are automatically carried forward to the following month’s selection, unless they no longer satisfy the eligibility criteria or enter a prolonged period of relative illiquidity. The Secondary Index eligibility criteria and the liquidity ranking procedure are described in further detail below.

³² The description herein of the Secondary Index is based on “Markit iBoxx USD Liquid Leveraged Loan Index—Index Guide,” September 2011 (“Secondary Index Description”).

³³ Markit 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 Secondary Index.

The following six selection criteria are used to derive the eligible universe from the MarkitWSO USD-denominated loan universe: loan type; minimum size; liquidity/depth of market; spread; credit rating; and minimum time to maturity.³⁴

Only USD-denominated loans are eligible for the Secondary Index.

Eligible loan types are fully funded term loans (fixed and floating rate) and defaulted loans. Ineligible loan types are 364-day facility; delayed term loans; deposit-funded tranche; letters of credit; mezzanine; PIK Toggle; PIK; pre-funded acquisition; revolving credit; strips; synthetic lease; and unfunded loans.

A minimum facility size of \$500 million USD nominal is required to be eligible for the Secondary Index. A constituent is removed at the next rebalancing if its nominal outstanding falls below \$500 million USD.

According to the Secondary Index Description, liquidity and depth of the market can be measured by the number of prices available for a particular loan and the length of time prices have been provided by the minimum required number of price contributors. The liquidity check is based on the 3-month period prior to the rebalancing cut-off date (liquidity test period). Only loans with a minimum liquidity/depth of 2 for at least 50% of trading days of the liquidity test period are eligible. Loans issued less than 3 months prior to the rebalancing cut-off date require a minimum liquidity/depth of 3 for at least 50% of trading days in the period from the issue date to the rebalancing cut-off date.

Only sub-investment grade loans are eligible for the Secondary Index. Each rated loan is assigned a composite index rating based on the ratings from Moody's and S&P's. If more than

³⁴ MarkitWSO is a corporate loan data base that Markit maintains using information provided by agent banks on each constituent Senior Loan in its data base of approximately 4,300 Senior Loans.

one agency publishes a rating for a loan, the average of the ratings determines the composite rating. The average rating is calculated as the numerical average of the ratings provided. To calculate the average, each rating [sic] assigned an integer number as follows: AAA/Aaa is assigned a 1, AA+/Aa1 a 2, etc. The resulting average is rounded to the nearest integer with .5 rounded up. Loans designated as “Not Rated” by both Moody’s and S&P must have a minimum current spread of 125 basis points over LIBOR to be eligible for the Secondary Index. Loans designated as “Not Rated” are not assigned an index rating. Defaulted loans are eligible for the Secondary Index provided they meet all other criteria.³⁵

The initial time to maturity is measured from the loan’s issue date to its maturity date. A minimum initial time to maturity of one year is required for potential constituents. The minimum time to maturity threshold reduces the Secondary Index turnover and transaction costs associated with short-dated loans. Existing constituents with time to maturities of less than 1 year remain in the Secondary Index until maturity provided they meet all other eligibility criteria.

In order to determine the final Secondary Index constituents, the loans in the eligible universe are ranked according to their liquidity scores, as provided by the Markit Loan Pricing Service. Each loan in the MarkitWSO database³⁶ is assigned a daily score based on the loan’s performance on the following liquidity metrics:

- Sources Quote: The number of dealers sending out runs.
- Frequency of Quotes: Total number of dealer runs.
- Number of Sources with Size: The number of dealer runs with associated size.
- Bid-offer spreads: The average bid-offer spread in dealer runs.

³⁵ While the Secondary Index can include defaulting Senior Loans, the Sub-Adviser does not intend to invest in such loans.

³⁶ See note 34, supra.

- Average quote size: The average size parsed from quotes.
- Movers Count: The end of day composite contributions which have moved on that day.

Each loan carries a score ranging from 1 to 5 in ascending order of liquidity, depending on the daily values for the above components. A loan with a score of 1 will have the best performance in each of the categories above. In the liquidity ranking procedure described below, average liquidity scores are calculated for each loan, over a calendar one or three month period immediately preceding each rebalancing date.

On the Secondary Index inception day, the target number of loans will be 100. Loans will be removed from the Secondary Index if they are no longer present in the current eligible universe or are not ranked within the first 125 places in terms of 3 month average liquidity score. On every subsequent rebalancing, the number of new loans to be selected will be equal to the number of loans which will be removed from the Secondary Index.

According to the Secondary Index Description, the parameters used in the selection process, including the target number of loans and the eligibility criteria, are subject to an annual review process to ensure that the Secondary Index continues to reflect the underlying loans market. The results of the analysis are submitted to the oversight committee for the Markit iBoxx USD Leveraged Loans Indices ("Oversight Committee").³⁷ The review will consist of a qualitative and quantitative assessment of any developments in the loans market in terms of market size, depth, and overall liquidity conditions of the market together with a recommendation whether current index rules should be modified. Factors that will be considered

³⁷ The Oversight Committee has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Secondary Index.

in the assessment will include: size of the market; new issuance patterns and trends; outstanding number of loans and borrowers; and liquidity conditions.

All Markit iBoxx USD Leveraged Loans Indices are calculated at the end of each business day and re-balanced at the end of each month.

The Markit iBoxx USD Leveraged Loans Indices are calculated on the basis of end-of-day prices provided by Markit Loan Pricing services on each recommended Securities Industry and Financial Markets Association (“SIFMA”) U.S. trading day.

On each pricing day, end-of-day bid, mid and ask price quotes for the applicable loans are received from Markit Loan Pricing. Prices for all loans are taken at 4:15 p.m. Eastern time (“E.T.”). Secondary Index data is published and distributed on the next day by 8:00 a.m. E.T. and is available on the Markit index website, <http://indices.markit.com>, and through Bloomberg and Reuters.

Markit will provide bid, mid and ask prices for all eligible loans at the end of each index calculation day. Reference loan data will be provided by Markit, which represents up-to-date reference and transactional information on over 1,000 leveraged loans.

Creations and Redemptions of Shares

The Fund will issue and redeem Shares only in Creation Units at the NAV next determined after receipt of an order on a continuous basis every day except weekends and specified holidays. The NAV of the Fund will be determined once each business day, normally as of the close of trading of the New York Stock Exchange (“NYSE”), generally, 4:00 p.m. E.T. Creation Unit sizes will be 50,000 Shares per Creation Unit. The Trust will issue and sell Shares of the Fund only in Creation Units on a continuous basis through the Distributor, without a sales load (but subject to transaction fees), at their NAV per Share next determined after receipt of an

order, on any business day, in proper form pursuant to the terms of the Authorized Participant agreement (as referred to below).

The consideration for purchase of a Creation Unit of the Fund generally will consist of either (i) the in-kind deposit of a designated portfolio of securities (primarily Senior Loans) (the “Deposit Securities”) per each Creation Unit and the Cash Component (defined below), computed as described below or (ii) the cash value of the Deposit Securities (“Deposit Cash”) and the “Cash Component,” computed as described below. The primary method of creation and redemption transactions will be in cash. In-kind creation and redemption transactions will be available only if requested by an Authorized Participant and approved by the Trust.

When accepting purchases of Creation Units for cash, the Fund may incur additional costs associated with the acquisition of Deposit Securities that would otherwise be provided by an in-kind purchaser. Together, the Deposit Securities or Deposit Cash, as applicable, and the Cash Component will constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund. The “Cash Component” will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the market value of the Deposit Securities or Deposit Cash, as applicable. If the Cash Component is a positive number (i.e., the NAV per Creation Unit exceeds the market value of the Deposit Securities or Deposit Cash, as applicable), the Cash Component will be such positive amount. If the Cash Component is a negative number (i.e., the NAV per Creation Unit is less than the market value of the Deposit Securities or Deposit Cash, as applicable), the Cash Component will be such negative amount and the creator will be entitled to receive cash in an amount equal to the Cash Component. The Cash Component will serve the function of compensating for any

differences between the NAV per Creation Unit and the market value of the Deposit Securities or Deposit Cash, as applicable.

According to the Registration Statement, to be eligible to place orders with respect to creations and redemptions of Creation Units, an entity must be (i) a “Participating Party,” i.e., a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation (“NSCC”); or (ii) a Depository Trust Company (“DTC”) participant. In addition, each Participating Party or DTC Participant (each, an “Authorized Participant”) must execute an agreement that has been agreed to by the Principal Underwriter and the Transfer Agent, and that has been accepted by the Trust, with respect to purchases and redemptions of Creation Units.

The Custodian, through the NSCC, will make available on each business day, immediately prior to the opening of business on the Exchange’s Core Trading Session (currently 9:30 a.m., E.T.), the list of the names and the required number of shares of each Deposit Security or the required amount of Deposit Cash, as applicable, to be included in the current Fund Deposit (based on information at the end of the previous business day) for the Fund. Such Fund Deposit is subject to any applicable adjustments as described below, in order to effect purchases of Creation Units of the Fund until such time as the next-announced composition of the Deposit Securities or the required amount of Deposit Cash, as applicable, is made available.

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Transfer Agent and only on a business day.

With respect to the Fund, the Custodian, through the NSCC, will make available immediately prior to the opening of business on the Exchange (9:30 a.m. Eastern time) on each

business day, the list of the names and share quantities of the Portfolio's portfolio securities ("Fund Securities") or the required amount of Deposit Cash that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as defined below) on that day. Fund Securities received on redemption may not be identical to Deposit Securities.

Redemption proceeds for a Creation Unit will be paid either in-kind or in cash or a combination thereof, as determined by the Trust. With respect to in-kind redemptions of the Fund, redemption proceeds for a Creation Unit will consist of Fund Securities as announced by the Custodian on the business day of the request for redemption received in proper form plus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities (the "Cash Redemption Amount"), less a fixed redemption transaction fee and any applicable additional variable charge as set forth in the Registration Statement. In the event that the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the differential will be required to be made by or through an Authorized Participant by the redeeming shareholder. Notwithstanding the foregoing, at the Trust's discretion, an Authorized Participant may receive the corresponding cash value of the securities in lieu of the in-kind securities value representing one or more Fund Securities.

The creation/redemption order cut-off time for the Fund is expected to be 4:00 p.m. Eastern Time for purchases of Shares. On days when the Exchange closes earlier than normal, the Fund may require orders for Creation Units to be placed earlier in the day.

Net Asset Value

The NAV per Share for the Fund will be computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding, rounded to the nearest cent. Expenses and fees, including the management fees, are accrued daily and taken into account for purposes of determining NAV.³⁸ The NAV of the Fund will be calculated by the Custodian and determined at the close of the regular trading session on the NYSE (ordinarily 4:00 p.m., E.T.) on each day that such exchange is open, provided that fixed-income assets (and, accordingly, the Fund's NAV) may be valued as of the announced closing time for trading in fixed-income instruments on any day that SIFMA (or the applicable exchange or market on which the Fund's investments are traded) announces an early closing time. Creation/redemption order cut-off times may also be earlier on such days.

In calculating the Portfolio's and Fund's NAV per Share, the Portfolio's investments will generally be valued using market valuations. A market valuation generally means a valuation (i) obtained from an exchange, a pricing service, or a major market maker (or dealer), (ii) based on a price quotation or other equivalent indication of value supplied by an exchange, a pricing service, or a major market maker (or dealer) or (iii) based on amortized cost. The Adviser may use various pricing services, or discontinue the use of any pricing service, as approved by the Fund's Board from time to time. A price obtained from a pricing service based on such pricing service's valuation matrix may be considered a market valuation. Any assets or liabilities denominated in currencies other than the U.S. dollar will be converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

³⁸ Markit will be the primary price source for Senior Loans in calculating the Portfolio's NAV. To the extent "Other Investments" are held, International Data Corporation ("IDC") will be the primary price source for such investments.

In the event that current market valuations are not readily available or such valuations do not reflect current market value, the Trust's procedures require the Pricing and Investment Committee to determine a security's fair value if a market price is not readily available.³⁹ In determining such value the Trust's Pricing and Investment Committee may consider, among other things, (i) price comparisons among multiple sources, (ii) a review of corporate actions and news events, and (iii) a review of relevant financial indicators (e.g., movement in interest rates, market indices, and prices from the Fund's index providers). In these cases, the Fund's NAV may reflect certain portfolio securities' fair values rather than their market prices. Fair value pricing involves subjective judgments and it is possible that the fair value determination for a security is materially different than the value that could be realized upon the sale of the security.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3⁴⁰ under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for the Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio, as defined in NYSE Arca Equities Rule 8.600(c)(2), will be made available to all market participants at the same time.

³⁹ The Trust's Board has established a Pricing and Investment Committee that is composed of officers of the Trust, investment management personnel of the Adviser and senior operations and administrative personnel of State Street Bank and Trust Company. The Pricing and Investment Committee is responsible for the valuation and revaluation of any portfolio investments for which market quotations or prices are not readily available. The Pricing and Investment Committee has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding valuation and revaluation of any portfolio investments.

⁴⁰ 17 CFR 240.10A-3.

Availability of Information

The Fund's website (www.spdrs.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The Fund's website will include additional quantitative information updated on a daily basis, including, for the Fund, (1) daily trading volume, the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),⁴¹ and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day.⁴²

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

⁴¹ The Bid/Ask Price of the Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund and its service providers.

⁴² Under accounting procedures followed by the Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

One or more major market data vendors will widely disseminate, every fifteen seconds during the NYSE Arca Core Trading Session, a Portfolio Indicative Value (“PIV”) (as defined in NYSE Arca Equities Rule 8.600 (c)(3)), relating to the Fund.⁴³ The PIV calculations will be estimates of the value of the Fund’s NAV per Share using market data converted into U.S. dollars at the current currency rates. The PIV price will be based on quotes and closing prices from the securities’ local market and may not reflect events that occur subsequent to the local market’s close. Premiums and discounts between the PIV and the market price may occur. This should not be viewed as a “real-time” update of the NAV per Share of the Fund, which is calculated only once a day.

In addition, a basket composition file, which includes the security names, amount and share quantities, as applicable, required to be delivered in exchange for the Fund’s Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the NYSE via NSCC. The basket represents one Creation Unit of the Fund.

The Primary Index description and Secondary Index description are publicly available. Primary and Secondary Index information, including values, components, and weightings, is updated and provided daily on a subscription basis by S&P and Markit, respectively. Complete methodologies for the Primary and Secondary Index are made available on the websites of S&P and Markit, respectively.

Investors can also obtain the Trust’s Statement of Additional Information (“SAI”), the Fund’s Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust’s SAI and Shareholder Reports are available free upon request from the Trust, and those

⁴³ Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available PIVs taken from the Consolidated Tape Association (“CTA”) or other data feeds.

documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available via the CTA high-speed line.

The dissemination of the PIV, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying Portfolio of the Fund on a daily basis and to provide a close estimate of that value throughout the trading day. The intra-day, closing and settlement prices of the Portfolio securities, including Senior Loans and other assets, will also be readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters.

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

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund.⁴⁴ Trading in Shares of the

⁴⁴ See NYSE Arca Equities Rule 7.12, Commentary .04.

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

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. E.T. in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

Surveillance

The Exchange represents that 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.⁴⁵ 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. FINRA, on behalf of the Exchange, 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.⁴⁶

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

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit (“ETP”) Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a

⁴⁵ 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.

⁴⁶ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

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 PIV will not be calculated or publicly disseminated; (4) how information regarding the PIV 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 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)⁴⁷ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and

⁴⁷ 15 U.S.C. 78f(b)(5).

applicable federal securities laws. The Exchange may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In pursuing its investment objective, the Portfolio seeks to outperform the Primary Index by normally investing at least 80% of its net assets (plus any borrowings for investment purposes) in Senior Loans. It is anticipated that the Portfolio, in accordance with its principal investment strategy, will invest 50% to 75% of its net assets in Senior Loans that are eligible for inclusion and meet the liquidity thresholds of the Primary and/or the Secondary Indices. Each of the Portfolio's Senior Loan investments will have no less than \$250 million USD par outstanding. The Portfolio will not invest 25% or more of the value of its total assets in securities of borrowers in any one industry. The Portfolio may hold up to an aggregate amount of 15% of its net assets in illiquid securities (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser and Sub-Adviser. The Adviser and the Sub-Adviser are each affiliated with a broker-dealer and have implemented a "fire wall" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Fund's Portfolio. The Portfolio's and Fund's investments will be consistent with the Portfolio's and Fund's investment objective and will not be used to enhance leverage. The Portfolio will not invest in options contracts, futures contracts or swap agreements. The Adviser and Sub-Adviser represent that, under normal market conditions, the Fund would satisfy the generic fixed income listing requirements in NYSE Area Equities Rule 5.2(j)(3), Commentary .02 on a continuous basis measured at the time of purchase, as described above. Except for Underlying ETFs that may hold non-U.S. issues, the Fund will not otherwise invest in non-U.S.-registered equity issues. The Primary Index Committee has implemented procedures designed to prevent the use and dissemination of material, non-public

information regarding the Primary Index. The Oversight Committee has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Secondary Index.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Fund and the Shares, thereby promoting market transparency. S&P and Markit are not broker-dealers or affiliated with a broker-dealer and each has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Primary Index and Secondary Index, respectively. The PIV will be disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Fund will disclose on its website the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The intra-day, closing and settlement prices of the Portfolio securities are also readily available from the national securities exchanges trading such securities, automated quotation systems, published or other public sources, or on-line information services. The website for the Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information.

Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of the Fund may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the PIV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

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

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition

among market participants, to the benefit of investors and the marketplace.

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

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

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

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

- (A) by order approve or disapprove 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. Please include File Number SR-NYSEArca-2013-08 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NYSEArca-2013-08. 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 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 No. SR-NYSEArca-2013-08 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁸

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2013-03278 Filed 02/12/2013 at 8:45 am; Publication Date: 02/13/2013]

⁴⁸ 17 CFR 200.30-3(a)(12).