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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71266; File No. SR-NYSEArca-2013-144)

January 9, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of Shares of the ETSpreads HY Long Credit Fund, the ETSpreads HY Short Credit Fund, the ETSpreads IG Long Credit Fund and the ETSpreads IG Short Credit Fund 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 December 27, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the following under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”): the ETSpreads HY Long Credit Fund, the ETSpreads HY Short Credit Fund, the ETSpreads IG Long Credit Fund and the ETSpreads IG Short Credit Fund. 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares ("Shares") of the following under NYSE Arca Equities Rule 8.600 which governs the listing and trading of Managed Fund Shares⁴: the ETSpreads HY Long Credit Fund, the ETSpreads HY Short Credit Fund, the ETSpreads IG Long Credit Fund and the ETSpreads IG Short Credit Fund (each, a "Fund" and collectively, the "Funds").⁵ The Shares will be offered by Exchange Traded Spreads Trust (the "Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the

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) ("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 previously approved listing and trading on the Exchange of actively managed funds under Rule 8.600. See 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); 61365 (January 15, 2010), 75 FR 4124 (January 26, 2010) (SR-NYSEArca-2009-114) (order approving listing and trading of Grail McDonnell Fixed Income ETFs); 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); 63329 (November 17, 2010), 75 FR 71760 (November 24, 2010) (SR-NYSEArca-2010-86) (order approving listing and trading of Peritus High Yield ETF).

Commission as an open-end management investment company.⁶ ETSpreads, LLC (the “Adviser”) is the investment adviser for each Fund and is registered as an “investment adviser” under the Investment Advisers Act of 1940 (the “Advisers Act”).⁷ ALPS Distributors, Inc. (the “Distributor”) will serve as the principal underwriter and distributor for each Fund. The Distributor is a broker-dealer registered under the Act and is not affiliated with the Adviser. 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.⁸ In addition, Commentary .06 further requires that personnel who make

⁶ The Trust is registered under the 1940 Act. On April 9, 2013, the Trust filed with the Commission an amendment to the registration statement for the Funds on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act relating to the Funds (File Nos. 333-148886 and 811-22177) (“Registration Statement”). The Trust filed an Amended and Restated Application for an Order under Section 6(c) of the 1940 Act for exemptions from various provisions of the 1940 Act and rules thereunder (File No. 812-13486), dated January 9, 2013 (“Exemptive Application”). The Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 30378 (February 5, 2013) (“Exemptive Order”). Investments made by the Funds will comply with the conditions set forth in the Exemptive Order.

⁷ 15 U.S.C. 80b-1.

⁸ An investment adviser to an open-end fund is required to be registered under the Advisers Act. As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures

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. The Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer and has implemented a "fire wall" with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Funds' portfolios. If the Adviser elects to hire a sub-adviser for the Funds that is also affiliated with a broker-dealer, such sub-adviser will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolios. In the event (a) the Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate regarding access to information concerning the composition and/or changes to a portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

Description of the Funds

According to the Registration Statement and as described below, each Fund will seek to provide exposure to a long or short position with respect to a specific segment of the North American corporate credit markets.⁹ The strategy of each of the Funds involves buying and

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.

⁹ With respect to a particular credit market, a "long position" means that an investor expects that the issuers of debt securities in a particular debt market will be able to meet their obligations in accordance with the terms of such debt securities in full and on-time. With respect to a particular credit market, a "short position" means that an investor expects there will be an increased likelihood that the issuers of debt securities in a

selling credit default swaps (“CDS”) to outperform, before fees and expenses, either a long or short position tied to its benchmark index. Currently, each Fund will use either the Markit CDX North American Investment Grade 5-year Total Return Index or the Markit CDX North American High Yield 5-year Total Return Index (each an “Index” or a “CDX Index” and together the “Indices”) as its benchmark. A “CDX Index” is an index comprised of multiple CDS with different “Reference Entities” (as described below), all of which have equal weighting in the index. The Markit CDX North American Investment Grade 5-year Total Return Index is designed to track the credit quality of 125 investment grade North American debt issuers or the unsubordinated debt obligations of such debt issuers. The Markit CDX North American High Yield 5-year Total Return Index is designed to track the credit quality of 100 high yield North American debt issuers or the unsubordinated debt obligations of such debt issuers. None of the Funds will use leverage and each Fund will maintain sufficient assets at all times so that it can meet its payment, margin or other obligations without borrowing. In general, no leverage means that, for each \$100 million of assets under management, the relevant Fund will be a net buyer or seller (consistent with its investment objective) of protection on \$100 million. While actual percentages will vary, it is generally expected that less than twenty percent of a Fund’s assets will be in CDS and non-principal investments (as described below), and the balance of a Fund’s assets will be U.S. Treasury securities, money market instruments and cash.

To meet its respective investment objective, under normal market conditions,¹⁰ each

particular debt market will not be able to meet their obligations in accordance with the terms of such debt securities in full or on-time.

¹⁰ The term “under normal market conditions” includes, but is not limited to, the absence of extreme volatility or trading halts in the fixed income markets or the financial markets generally; events or circumstances causing a disruption in market liquidity or orderly markets; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of

Fund intends to invest substantially all of its assets in (i) CDS that are cleared by a clearing organization and which are either (a) CDS index swaps, including swaps based on the CDX Index, (“CDX Index swaps”), based on multiple CDS relating to the debt issued by different Reference Entities¹¹, or (b) “Single Name CDS” (as described below), which are CDS that relate only to the debt issued by a single Reference Entity¹²; (ii) futures contracts¹³ based on CDS or other similar futures contracts; and (iii) obligations of, or those guaranteed by, the United States government with a maturity of less than six years (“U.S. Treasury securities”), money market instruments, and cash.

General Description of Swaps

A Fund will enter into swap agreements to invest in a specific segment of the U.S. corporate credit market without owning or taking physical custody of the underlying debt securities or other interests. The initial counterparty to any CDS will typically be a bank, investment banking firm or broker-dealer. If the CDS is cleared, the swap with the initial counterparty will be replaced with a swap with the clearing house.

Swap agreements typically are settled on a net basis, which means that the two payment streams are netted out, with a Fund receiving or paying, as the case may be, only the net amount

God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

¹¹ A “Reference Entity” is the entity whose debt underlies a Single Name CDS (as described below) and can be a corporation, government or other legal entity that issues debt of any kind. CDX Index swaps are based on a particular index that includes Single Name CDS of several Reference Entities.

¹² The Adviser represents that Fund transactions in CDS cleared through a clearing organization that have been designated by the Commodity Futures Trading Commission (“CFTC”) or the Commission as “made available to trade” will be executed on exchanges or on a swap execution facility subject to CFTC and/or Commission oversight or regulation.

¹³ The Funds intend to invest only in futures contracts traded on exchanges that are subject to CFTC and/or Commission oversight or regulation.

of the two payments. Payments may be made at the conclusion of a swap agreement or periodically during its term.

Swap agreements do not involve the delivery of securities or other underlying assets. Accordingly, the risk of loss with respect to swap agreements is limited to the net amount of payments that a Fund is contractually obligated to make. If a swap counterparty defaults, a Fund's risk of loss consists of the net amount of payments the Fund is contractually entitled to receive, if any. The net amount of the excess, if any, of a Fund's obligations over its entitlements with respect to each equity swap will be accrued on a daily basis, and an amount of cash or liquid assets having an aggregate net asset value ("NAV") at least equal to such accrued excess will be maintained in a segregated account by the Fund's custodian, The Bank of New York Mellon.

According to the Registration Statement, the CDS market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the CDS market has become relatively liquid in comparison with the markets for other swaps which are traded in the over-the-counter ("OTC") market, based upon the number of transactions and notional value.¹⁴ According to data published on The Depository Trust & Clearing Corporation ("DTCC") Trade Information Warehouse website, over 2 million CDS contracts (including both single-name and multi-name products) have open positions.¹⁵ Recent data provided to the CFTC indicates daily transaction volumes of over 1500 transactions in CDS based on the family

¹⁴ See 2013 ISDA Operations Benchmarking Survey, April 25, 2013, at p. 4 (available at <http://www2.isda.org/functional-areas/research/surveys/operations-benchmarking-surveys/>).

¹⁵ See DTCC Trade Information Warehouse credit derivatives data for the week ending 11-29-2013 (available at http://www.dtcc.com/products/derivserv/data_table_i.php).

of CDX Indices.¹⁶ Overall, the CDS marketplace has almost \$29 trillion in notional dollar amount outstanding across both single and multi-name products.¹⁷ CDS on standardized indices (including the CDX Indices) accounts for about \$10 trillion of the global OTC market in notional dollar amount outstanding.¹⁸ CDS market risk transaction activity, as measured by notional amount traded, increased 15% in the 2013 period versus the 2012 period.¹⁹ Growth in notional volumes and trade counts related to new market transaction activity was driven by an increase in CDS index trading.²⁰ The Adviser, under the supervision of the Trust's Board of Trustees, is responsible for determining and monitoring the liquidity of Fund transactions in swap agreements.

The use of swap agreements, including credit default swaps, is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If a counterparty's creditworthiness declines, the value of the swap would likely decline. Moreover, there is no guarantee that a Fund could eliminate its exposure under an outstanding swap agreement by entering into an offsetting swap agreement with the same or another party.

¹⁶ See "Clearing Requirement Determination Under Section 2(h) of the CEA", 77 FR 74284, 74294 (December 13, 2012).

¹⁷ Id. See also, Bank for International Settlements survey on statistics on the OTC derivatives market as of November 7, 2013(also available at <http://www.bis.org/statistics/otcder/dt1920a.pdf>).

¹⁸ Id.

¹⁹ Based on market risk transaction activity (as measured by the volume of trading (using both transaction counts and notional amounts traded)) from the DTCC Trade Information Warehouse for the periods of February through July in 2011, 2012, and 2013. See CDS Market Summary: Market Risk Transaction Activity – ISDA Research Notes, October 2013 (available at <http://www2.isda.org/attachment/NTk0MQ==/CDS%20Research%20Note%20final%202013-10-01.pdf>).

²⁰ Id.

To reduce the credit risk that arises in connection with investments in non-cleared swaps (as discussed below), each of the Funds will generally enter into an agreement with each counterparty based on a Master Agreement published by the International Swaps and Derivatives Association, Inc. (“ISDA”) that provides for the netting of its overall exposure to its counterparty. The Adviser will assess or review, as appropriate, the creditworthiness of each potential or existing counterparty to an OTC contract pursuant to guidelines approved by the Adviser. Furthermore, the Adviser on behalf of the Funds will only enter into OTC contracts with counterparties who are, or are affiliates of, (a) banks regulated by a United States federal bank regulator, (b) swap dealers or securities based swap dealers regulated by the CFTC and/or the Commission, (c) broker-dealers regulated by the Commission, or (d) insurance companies domiciled in the United States. Existing counterparties will be reviewed periodically by the Adviser. The Funds also may require that the counterparty be highly rated and/or provide collateral or other credit support.

Single Name CDS

According to the Registration Statement, Single Name CDS are instruments that allow the buyer to purchase protection against a credit event such as a default on debt repayment obligations for a specific Reference Entity and a seller to guarantee protection against such event for the same entity. Because market perceptions about the risk of default, or another credit event, change over time, the prices of Single Name CDS for any given day are likely to change value. Bond prices also change in value over time and some of this change is due to changes in the strength of the underlying credit of the issuer. CDX Index swaps are created in order to provide exposure to the creditworthiness of a pre-designed market segment of the credit markets such as the investment grade debt market or the high yield debt market.

In addition, in the event of a credit event under a CDS, including a CDS underlying the CDX Indices, the CDS would typically be cash settled via auction conducted under protocols published by ISDA, although physical settlement (i.e., an actual loan/bond trade) is possible. Generally, the amount of the cash settlement is the difference between the market value of the Reference Entity debt obligation referred to in the CDS and the face value of the debt obligation, and that amount is payable by the protection seller to the protection buyer. The Funds intend to use cash settlement only and the Single Name CDS underlying the CDX Indices will be required to be cash settled.

Ownership of a CDS can be transferred with the consent of the other party to the swap, or in the case of a cleared swap, the customer's futures commission merchant ("FCM") to and in accordance with the relevant clearing organization regulations. There is a well-developed market for transfer of CDS, particularly cleared swaps, to third parties with the consent of the original parties to the swap (such transfers which require all parties' consent are commonly known as a novation). Obtaining such consent is not guaranteed and may result in a payment above the market value of the swap. Under such circumstances, the Adviser generally expects that it will enter into an offsetting cleared CDS to reduce or eliminate cleared swap positions rather than seek the consent of its counterparty for a transfer or early termination of a swap at a non-market price. The Adviser may unwind non-cleared CDS through termination or transfer of its position with a particular counterparty rather than enter into an offsetting trade with a second counterparty in order to avoid incurring additional credit exposure to the second counterparty and to avoid the possibility that values of the respective positions will differ, although it may enter into an offsetting transaction if the Adviser believes such a transaction is in the best interest of Fund shareholders. Each Fund will reduce the risk that it will be unable to close out a futures

contract by only entering into futures contracts that are traded on a national futures exchange regulated by the CFTC.

CDS are entered into among banks, securities firms, hedge funds, corporations, insurance companies, mutual funds, pension funds, and other institutional investors.²¹ CDS pricing is widely available to market participants in the equity and fixed income markets via Markit, Credit Market Analysis Ltd. (“CMA”) and Bloomberg L.P. (“Bloomberg”). Daily trading volume of cleared swaps transacted via the ICE Clear Credit LLC²² and CME Clearing²³ clearing organizations is available through their respective websites. The Trust represents that, to its knowledge, no comprehensive information on weekly trading volume for non-cleared CDS is available, although ISDA does compile information about this market on an annual basis.²⁴

Margin and Collateral

Cleared CDS are subject to initial and variation margin requirements set by the clearing organization that are based on mark-to-market prices and other factors.²⁵ In addition to this

²¹ The Adviser represents that the major dealer participants in the CDS/CDX Index swap market are: Bank of America; Barclays; BNP Paribas; Citibank; Credit Suisse; Deutsche Bank; Goldman Sachs; HSBC; JPMorgan; Morgan Stanley; Nomura; UBS; and Wells Fargo.

²² ICE Clear Credit LLC is a subsidiary of the IntercontinentalExchange, Inc. (“ICE”). ICE Clear Credit LLC is registered with the CFTC as a clearing house for credit default swaps, including CDX Index swaps.

²³ CME Clearing is a division of Chicago Mercantile Exchange Inc. (“CME”), which is a subsidiary of the CME Group Inc. CME is registered with the CFTC as a clearing house for credit default swaps, including CDX Index swaps.

²⁴ Source: ISDA Market Surveys (<http://www2.isda.org/functional-areas/research/surveys/market-surveys/>).

²⁵ The Funds intend to use ICE Clear Credit and CME Clearing as the clearing organizations for their cleared CDS. According to ICE Clear Credit, it employs a stress-based, five-factor methodology to determine the initial margin requirements. The main elements of the methodology are (i) liquidity and concentration requirements, (ii) basis risk requirements, (iii) jump-to-default requirements, (iv) risk factor spread response requirements, and (v) interest rate and recovery rate sensitivity requirements. According

protection, additional initial margin may also be required by an FCM to address its credit exposure as guarantor to the clearing organization of the Funds' positions at the clearing organization throughout the life of the swap or futures contract.

Subsequent to the payment of initial margin, variation margin is either payable by or returned to the Funds on a daily basis, based on the change in the value of the swap positions and the degree to which the Funds are in or out of the money with respect to their positions. The purpose of this is to minimize the credit exposure to the FCM and the clearing organization. If the Funds fail to post margin, the clearing organization can liquidate the Funds' positions. As such, the counterparty exposure is limited to the change in value since the last margin posted.

In the case of non-cleared swaps, the 1940 Act requires that margin equal to the market value of the swap be posted and held by the Funds' custodian, The Bank of New York Mellon, on a daily basis. As with variation margin for cleared swaps, margin would be payable by or returned to the Funds based on the change in the value of the swap positions and the degree to which the Funds are in or out of the money with respect to their positions.

Collateral or margin required to be provided for either cleared or non-cleared CDS will generally represent a small portion of such swap's aggregate notional value, and, accordingly, each Fund will generally invest the balance of its assets in obligations of the U.S. government, cash or cash equivalent assets. These assets will be available to satisfy subsequent margin calls on the Fund, as well as available for redemptions of Fund Shares and to pay its coupon or other

to CME Clearing, it determines initial margin requirements using a methodology that addresses six risk factors including overall risk of credit market, portfolio risk, idiosyncratic risk, and liquidity risk. Currently, ICE Clear Credit and CME Clearing determine margin on a net basis on a daily basis.

payment obligations under its CDS.²⁶

Principal Investments of the Funds

ETSpreads IG Long Credit Fund

According to the Registration Statement, the investment objective of the Fund is to provide long exposure to the credit of a diversified portfolio of North American investment grade debt issuers. With respect to a particular credit market, a “long position” means that an investor expects that the issuers of debt securities in a particular debt market will be able to meet their obligations in accordance with the terms of such debt securities in full and on-time. The Fund will invest, under normal market conditions, substantially all of its assets in (i) CDS cleared by a clearing organization which are either (a) CDS index swaps based on multiple CDS relating to the debt issued by different Reference Entities, or (b) Single Name CDS based on CDS relating to the debt issued by a single Reference Entity; (ii) futures contracts based on CDS or other similar futures contracts; and (iii) U.S. Treasury securities, money market instruments, and cash. In order to gain exposure to the investment grade credit market, the Fund will normally be a net protection seller under its CDS, and will be required to make payments to the protection buyer when a specified adverse credit event occurs relating to a Reference Entity.

If the Fund is successful in meeting its objective, its NAV should generally increase when the North American investment grade credit market is improving. Conversely, its NAV should generally decrease when the North American investment grade credit market is deteriorating.

ETSpreads IG Short Credit Fund

According to the Registration Statement, the investment objective of the Fund is to

²⁶ In addition to its margin payments to the protection seller, a protection buyer is required to pay an amount equal to the value of the CDS on the date acquired and thereafter must pay periodic fixed coupon payments determined by the clearing organization, in the case of cleared CDS, or as agreed to with its counterparties for non-cleared CDS.

provide short exposure to the credit of a diversified portfolio of North American investment grade debt issuers. With respect to a particular credit market, a “short position” means that an investor expects there will be an increased likelihood that the issuers of debt securities in a particular debt market will not be able to meet their obligations in accordance with the terms of such debt securities in full or on-time. The Fund will invest, under normal market conditions, substantially all of its assets in (i) CDS cleared by a clearing organization which are either (a) CDS index swaps based on multiple CDS relating to the debt issued by different Reference Entities, or (b) Single Name CDS based on CDS relating to the debt issued by a single Reference Entity; (ii) futures contracts based on CDS or other similar futures contracts; and (iii) U.S. Treasury securities, money market instruments, and cash. In order to gain short exposure to the investment grade credit market, the Fund will normally be a net protection buyer under its CDS, and therefore will be required to make the ongoing payments specified under such contracts that represent the cost of purchasing protection from adverse credit events relating to a Reference Entity.

If the Fund is successful in meeting its objective, its NAV should generally decrease as the North American investment grade credit market is improving. Conversely, its NAV should generally increase as the North American investment grade credit market is deteriorating.

ETSpreads HY Long Credit Fund

According to the Registration Statement, the investment objective of the Fund is to provide long exposure to the credit (i.e., the likelihood that a borrower performs its payment obligations) of a diversified portfolio of North American high yield debt issuers. With respect to a particular credit market, a “long position” means that an investor expects that the issuers of debt securities in a particular debt market will be able to meet their obligations in accordance

with the terms of such debt securities in full and on-time. The Fund will invest, under normal market conditions, substantially all of its assets in (i) CDS cleared by a clearing organization which are either (a) CDS index swaps based on multiple CDS relating to the debt issued by different Reference Entities, or (b) Single Name CDS based on CDS relating to the debt issued by a single Reference Entity; (ii) futures contracts based on CDS or other similar futures contracts; and (iii) U.S. Treasury securities, money market instruments, and cash. In order to gain exposure to the high yield credit market, the Fund will normally be a net protection seller under its CDS, i.e., it will be required to make payments to the protection buyer when a specified adverse credit event occurs relating to a Reference Entity.

If the Fund is successful in meeting its objective, its NAV should generally increase when the North American high yield credit market is rallying, which means that credit quality is improving and differences or “spreads” between the returns on high yield debt securities generally and the returns on debt securities with comparable maturities that are essentially free of credit risk (such as U.S. Treasury securities) are decreasing or “tightening.” Conversely, its NAV should generally decrease when the North American high yield credit market is falling (going down), credit quality is deteriorating, and spreads are increasing or “widening.”

ETSpreads HY Short Credit Fund

According to the Registration Statement, the investment objective of the Fund is to provide short exposure to the credit of a diversified portfolio of North American high yield debt issuers. With respect to a particular credit market, a “short position” means that an investor expects there will be an increased likelihood that the issuers of debt securities in a particular debt market will not be able to meet their obligations in accordance with the terms of such debt securities in full or on-time. The Fund will invest, under normal market conditions, substantially

all of its assets in (i) CDS cleared by a clearing organization which are either (a) CDS index swaps based on multiple CDS relating to the debt issued by different Reference Entities, or (b) Single Name CDS based on CDS relating to the debt issued by a single Reference Entity; (ii) futures contracts based on CDS or other similar futures contracts; and (iii) U.S. Treasury securities, money market instruments, and cash. In order to gain short exposure to the high yield credit market, the Fund will normally be a net protection buyer under its CDS, i.e., it will be required to make the ongoing payments specified under such contracts that represent the cost of purchasing protection from adverse credit events relating to a Reference Entity.

If the Fund is successful in meeting its objective, its NAV should generally decrease when the North American high yield credit market is improving. Conversely, its NAV should generally increase as the North American high yield credit market is deteriorating.

Non-Principal Fund Investments

While each Fund will invest, under normal market conditions, substantially all of its assets as described above under each Fund's principal investment strategies, each Fund may invest in, to the extent that CDS cleared by a clearing organization are not available, fully collateralized non-cleared CDS transactions²⁷, and (i) to the extent available, options that are cleared through a clearing organization regulated or subject to the oversight of the CFTC or

²⁷ The Adviser represents that each of the Funds' CDS transactions, whether cleared or uncleared, and the options described above will be subject to CFTC and/or Commission reporting, including the reporting of detailed transaction data to swap data repositories ("SDRs") subject to CFTC and/or the Commission oversight or regulation. See Swap Data Recordkeeping and Reporting Requirements, 77 F.R. 2136 (January 13, 2012). The Adviser represents that all swap transaction data, including data on options, will be available to the CFTC and the Commission and certain bank or other regulators. In addition, with certain exceptions (e.g., delays for large block trades), a portion of each CDS transaction's data will be available to major market data vendors on a real time, though anonymous, basis. See Real-Time Public Reporting of Swap Transaction Data, 77 F.R.1182 (January 9, 2012).

the Commission²⁸ and (ii) if options cleared through a clearing organization are not available, fully collateralized non-cleared OTC options, in each case, relating to the following: options on CDS, options on CDS futures, options on CDS indexes and options on U.S. Treasury securities for bona fide hedging; attempting to offset changes in the value of its principal investments held or expected to be acquired or be disposed of; attempting to gain exposure to a particular market, index or instrument; or other risk management purposes.

Each Fund may also utilize other types of swap agreements, including, but not limited to, total return swaps on debt, equity or CDS or indexes relating to the foregoing, bond or corporate credit index swaps, and interest rate swaps. A Fund may utilize these swap agreements in an attempt to gain exposure to the investments used to meet its investment objective in a market without actually purchasing those investments, or to hedge a position.

Each Fund may invest in the securities of other investment companies consistent with the requirements of Section 12(d)(1) of the 1940 Act, or any rule, regulation or order of the Commission or interpretation thereof.

Each Fund may enter into repurchase agreements with financial institutions, which may be deemed to be loans. Each Fund follows certain procedures designed to minimize the risks inherent in such agreements. These procedures include effecting repurchase transactions only with large, well-capitalized and well-established financial institutions whose condition will be continually monitored by the Adviser. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement.

²⁸ The Adviser represents that Fund transactions in options cleared through a clearing organization that have been designated by the CFTC or the Commission as “made available to trade” will be executed by the Funds on an exchange or on a swap execution facility subject to CFTC and/or Commission oversight or regulation.

The Benchmark Indices

The Markit CDX North American Investment Grade 5-year Total Return Index is composed of credit default swaps relating to 125 equally-weighted, investment grade, unaffiliated Reference Entities. All entities are domiciled in North America. A new series of the Index is issued every six months in March and September, which effectively serves as a rebalancing to reflect the then current corporate credit markets.

The Markit CDX North American High Yield 5-year Total Return Index is composed of credit default swaps relating to 100 equally-weighted, non-investment grade, unaffiliated Reference Entities. All entities are domiciled in North America. A new series of the Index is issued every six months in March and September, which effectively serves as a rebalancing to reflect the then current corporate credit markets.

Benchmark Methodology and Construction

Markit Group Limited (“Markit”) has developed and published specific rules for each Index, most recently updated on March 2013 in the publicly available “Markit CDX High Yield & Markit CDX Investment Grade Index Rules”²⁹ (the “Rules”).

The composition of an Index shall be determined by Markit as the “Administrator” in accordance with the Rules, which are formulaic, provided that in making any determination the Administrator may depart from, or otherwise make an exception to, the Rules. Generally, the composition of membership in each Index is determined by selecting unique Reference Entities with the most liquid credit derivatives based on trailing six-month trading volume published on DTCC Trade Information Warehouse. Once a series of an Index is issued, no additional companies are added to the Index as component members of such Index.

²⁹ <http://www.markit.com/assets/en/docs/products/data/indices/credit-index-annexes/Markit%20CDX%20HY%20and%20IG%20Rules%20Mar%202013.pdf>

Component members of an Index may be removed under certain circumstances, including a credit event such as a default. When a new series of an Index is released every six months, the component members of an Index are updated to reflect changes in the markets and the new component members are approved by the Administrator and published on Markit's website.

Each Reference Entity has an equal weighting in the applicable CDX Index. A list of Reference Entities for the CDX Indices is published from time to time by or on behalf of Markit.

Other Fund Characteristics

Each of the Funds may hold up to an aggregate amount of 15% of its net assets in illiquid investments (calculated at the time of investment) in accordance with Commission staff guidance. The Funds will monitor their portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will take appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid investments. Illiquid investments include investments subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.³⁰

³⁰ 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 Securities Act of 1933).

The Funds will not invest in any equity securities except for investment company securities.

The Funds will be non-diversified, which means that a Fund may invest its assets in a smaller number of issuers than a diversified fund.³¹

Each of the Funds' investments, including derivatives, will be consistent with its investment objective.

Net Asset Value

The NAV per Share of a 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 of the Fund outstanding, rounded to the nearest cent. Expenses and fees, including without limitation, the management, administration and distribution fees, will be accrued daily and taken into account for purposes of determining NAV per Share. The NAV per Share for a Fund will be calculated by The Bank of New York Mellon and determined as of the close of the regular trading session on the Exchange (ordinarily 4:00 p.m., Eastern Time ("E.T.)) on each day that the Exchange is open.

In computing a Fund's NAV, a Fund's holdings will be valued based on their last readily available market price. Price information on listed investments will be taken from the exchange where the investment is primarily traded. The Adviser intends to use clearing organization settlement prices, e.g., Markit ICE Settlement Prices or CME Clearing CDS Settlement Prices (determined as of 4:00 p.m. E.T.) for the valuation of its CDS. The Adviser will use the closing prices on the relevant futures exchanges (determined at the earlier of the close of such futures exchanges or 4:00 p.m.) for the valuation of its futures contracts based on CDS or other similar

³¹ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

futures contracts. The Adviser intends to use clearing organization settlement prices for the valuation of its options that are cleared through a clearing organization regulated or subject to the oversight of the CFTC or the Commission. Money market instruments and U.S. Treasury securities will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service.

The Adviser will calculate or determine the value of all other investments using market quotations, if available, from third-party pricing services or brokers and dealers, as described below.. With respect to non-cleared CDS and OTC options, to the extent that agreement is reached with any counterparties on pricing methodologies for determining end-of-day settlement prices, the Adviser will use such information for purposes of determining the asset's value. Accordingly, the Funds plan to use this and other end of day pricing data provided by third parties, as described under Availability of Information below, for purposes of determining their respective NAVs. Total return swaps, bond or corporate credit index swaps and interest rate swaps will normally be valued on the basis of quotes obtained from brokers and dealers or third-party pricing services. The Adviser will use the latest NAV published by the investment company and major market data vendors as of 4:00 p.m. E.T. for the valuation of its investment company security investments, other than shares of exchange-listed investment company securities. Shares of exchange-listed investment company securities will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the securities are primarily traded at the time of valuation. Repurchase agreements will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service. Other portfolio securities and assets for which market quotations are not readily available or determined to not represent the

current fair value will be valued based on fair value as determined in good faith by the Adviser in accordance with procedures adopted by the Board of Trustees and with the 1940 Act.

Purchases and Redemptions of Creation Units

According to the Registration Statement, each Fund will offer and sell Creation Units through the Distributor on a continuous basis at the NAV next determined after an order in proper form is received by the Distributor. The NAV of each Fund will be determined as of the close of regular trading on the NYSE Arca (ordinarily 4:00 p.m. E.T.) on each business day. Each Fund will sell and redeem Creation Units only on a business day. A Creation Unit will consist of at least 50,000 Shares; however, the size of a Creation Unit may change in the future.

Shares will be purchased and redeemed in Creation Units. The Funds will generally sell and redeem Creation Units entirely for cash to the extent permissible under the Trust's Exemptive Application and Exemptive Order.

In the case of in-kind purchases and redemptions of Creation Units, purchasers will be required to purchase Creation Units by making an in-kind deposit of specified instruments ("Deposit Instruments"), and shareholders redeeming their Shares will receive an in-kind transfer of specified instruments ("Redemption Instruments").³² On any given business day, the names and quantities of the instruments that constitute the Deposit Instruments and the names and quantities of the instruments that constitute the Redemption Instruments will be identical, and these instruments may be referred to, in the case of either a purchase or a redemption, as the

³² The Funds must comply with the federal securities laws in accepting Deposit Instruments and satisfying redemptions with Redemption Instruments, including that the Deposit Instruments and Redemption Instruments are sold in transactions that would be exempt from registration under the Securities Act. In accepting Deposit Instruments and satisfying redemptions with Redemption Instruments that are restricted securities eligible for resale pursuant to rule 144A under the Securities Act, the Funds will comply with the conditions of Rule 144A.

“Creation Basket.” In addition, generally, the Creation Basket will correspond *pro rata* to the positions in a Fund’s portfolio (including CDS and cash positions).

If there is a difference between the NAV attributable to a Creation Unit and the aggregate market value of the Creation Basket exchanged for the Creation Unit, the party conveying instruments with the lower value will also pay to the other an amount in cash equal to that difference (the “Cash Amount”). In addition, in the event a Deposit Instrument included in a Creation Basket cannot be transferred or novated, the market value of that instrument will be paid and added to the Cash Amount.

As an actively managed fund, the allocation of a Fund’s investments may change over time. Generally, it is not expected that a Fund’s allocation of investments will change significantly over the course of a day in a manner that would significantly impact an intra-day hedging strategy. Authorized Participants and market makers have a wide variety of instruments that they could utilize to hedge their intraday market exposure, including corporate bonds, U.S. Treasuries, CDS, and exchange-traded funds, including other Funds in the Trust that have an investment objective that is inverse to that of a Fund whose Share value is being hedged.

In connection with creations or redemptions for cash, it is expected each Fund will announce before the open of trading each business day that all purchases and all redemptions on that day will be made entirely in cash. On each business day, before the open of trading on the Exchange, each Fund will cause to be published through the National Securities Clearing Corporation (“NSCC”) the names and quantities of the instruments comprising the Creation Basket, as well as the estimated Cash Amount (if any), for that day. The published Creation Basket will apply until a new Creation Basket is announced on the following business day, and there will be no intra-day changes to the Creation Basket except to correct error(s) in the

Creation Basket discovered after publication through the NSCC.

Placement of Orders to Purchase Creation Units

All orders to purchase Creation Units must be placed with the Distributor by or through an “Authorized Participant,” which is either (i) a “Participating Party,” i.e., a broker or other participant in the Continuous Net Settlement System (“CNS System”) of the NSCC (“NSCC Process”), a clearing agency registered with the Commission and affiliated with The Depository Trust Company (“DTC”) or (ii) a DTC Participant, which, in either case, has executed a “Participant Agreement” with the Distributor with respect to the purchase and redemption of Creation Units.

All orders to purchase (and redeem) Creation Units must be received by the Distributor in proper form one hour prior to the NAV calculation time (“NAV Calculation Time”), which is generally at 4:00 p.m. E.T. (meaning that orders must be received by 3:00 p.m.) on the business day the order is placed in order for the purchaser to receive the NAV determined on that date (“Transmittal Date”). On business days that the Exchange closes early, a Fund may require an order for the purchase of Creation Units to be submitted earlier during the day.

Placement of Orders to Redeem Creation Units

Redemption requests must be placed by or through an Authorized Participant. All orders to redeem Creation Units of a Fund must be received by the Distributor in proper form no later than one hour prior to the NAV Calculation Time on the Transmittal Date in order for the redeeming investor to receive the Fund’s NAV determined on the Transmittal Date.

Portfolio Indicative Value

The Portfolio Indicative Value (“PIV”) as defined in NYSE Arca Equities Rule 8.600(c)(3) of Shares of each Fund will be widely disseminated by one or more major market

data vendors at least every fifteen seconds during the Exchange's Core Trading Session.³³ An unaffiliated third-party retained by the Trust (the "Calculation Agent") will calculate the PIV throughout the trading day for each Fund by (i) calculating the marked-to-market gains/losses of CDS and all other financial instruments held by a Fund on the basis described below, (ii) calculating the value of a Fund's cash, cash equivalents, U.S. Treasury securities and other assets, (iii) adding the marked-to-market gains and losses on the financial instruments and the value of the other assets of the Fund to arrive at an asset value, and (iv) dividing that asset value by the total Shares outstanding to obtain a current PIV.

Gains and losses on CDS will be determined for purposes of calculating the PIV based on market quotations regularly received from third-party subscription services.³⁴ These quotations may include prices at which transactions were actually executed, "executable quotations," which provide a firm price at which the dealer would buy or sell a specified notional amount of CDS, and "indicative quotations," which, while not necessarily executable, provide an indication of the price at which such dealer would buy or sell a specified notional amount. The Funds will not be involved in, or responsible for, the calculation or dissemination of any such amount and will make no warranty as to its accuracy.

Availability of Information

The Funds' website (<http://www.etspreads.com>), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Funds that may be downloaded. The website will include additional quantitative information updated on a daily

³³ Currently, it is the Exchange's understanding that several major market data vendors widely disseminate PIVs taken from the Consolidated Tape Association ("CTA") or other data feeds.

³⁴ Dealer quotations on a particular CDS will typically be provided notwithstanding a default by a Reference Entity under that swap. The price at which the CDS will be bought or sold will be affected by such a default.

basis, including, for each 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"),³⁵ 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 Funds will disclose on the website the Disclosed Portfolio as defined in proposed Rule 8.600(c)(2) that will form the basis for the Funds' calculation of NAV at the end of the business day.³⁶ The website information will be publicly available at no charge.

On a daily basis, the Adviser will disclose on behalf of each Fund each portfolio holding and financial instrument of a Fund the following information: ticker symbol (if applicable), name of security and financial instrument, number of shares, if applicable, and dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the holding and financial instrument in the portfolio. The website information will be publicly available at no charge. Market participants, particularly large institutional investors, regularly receive executable and indicative quotations on CDS from dealers. In addition, intra-day and end-of-day prices for all Single Name CDS, CDS index swaps, or other financial instruments held by a Fund will be available through major market data vendors or broker-dealers or on the exchanges on

³⁵ The Bid/Ask Price of Fund Shares will be determined using mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Funds and their service providers.

³⁶ Under accounting procedures followed by the Funds, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Funds 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.

which they are traded. Major market vendors which provide intra-day and end-of-day prices for both Single Name CDS and CDS index swaps include Markit, CMA and Bloomberg.

Bloomberg, Thomson Reuters Corporation (“Thomson Reuters”) and similar data vendors provide intra-day and end-of-day pricing data for U.S. Treasury securities and money market instruments. Exchanges which provide intraday and end-of-day prices for futures and options on futures include ICE Futures and CME Group. Broker-dealers provide intraday and end-of-day prices for non-cleared swaps and options, including options on Single Name CDS and options on CDS index swaps.

ICE Clear Credit LLC and CME Clearing provide daily price and transaction information for swaps that it or its affiliate clears by subscription to its members and other market participants. Additionally, pricing intraday regarding various CDS index swaps is provided free to the public, with a fifteen minute delay, on the Markit website (<https://source.markit.com>). Daily trading volume of cleared swaps transacted via the ICE Clear Credit LLC and CME Clearing clearing organizations is also available through their respective websites.

Another source of intra-day information about Single Name CDS prices is the market for OTC corporate bonds on which the CDS are based, and the Adviser requests that there is a significant amount of information available about the intra-day pricing of corporate bonds and the amount of such information is increasing. Because CDS represent the credit risk component of corporate bonds, and the effect of interest rate changes on the prices of corporate bonds is readily calculable, market professionals are able to obtain substantial information about the intra-day value of CDS based on data on the intra-day value of the underlying corporate bonds. While short-term variations between the bond and CDS markets do arise, and may occur more

frequently when such markets are volatile, the value of the underlying debt securities is important and useful in valuing related CDS.

One source of bond price information is the Financial Industry Regulatory Authority's ("FINRA") Trace Reporting and Compliance System ("TRACE"). TRACE reports executed prices on corporate bonds, including high-yield bond transactions. TRACE reported prices are available without charge on the FINRA website on a "real time" basis (subject to a fifteen minute delay) and also are available by subscription from various information providers (e.g., Bloomberg). In addition, authorized participants and other market participants, particularly those that regularly deal or trade in corporate bonds, have access to intra-day corporate bond prices from a variety of sources other than TRACE, such as Thomson Reuters, Interactive Data and MarketAxess.

The intraday, closing and settlement prices of U.S. Treasury securities, money market instruments and repurchase agreements will be readily available from published or other public sources, or major market data vendors such as Bloomberg and Thomson Reuters. Price information regarding exchange-traded options is available from the exchanges on which such instruments are traded and from Market Data Express's (an affiliate of Chicago Board Options Exchange) Customized Option Pricing Service. Price information regarding OTC options is available from major market data vendors. ICE Futures provides end-of-day prices for CDS futures or other similar futures contracts. Intra-day and closing price information for shares of exchange-listed investment company securities are available from the exchange on which such securities are principally traded and from major market data vendors. The NAV of any investment company security investment will be readily available on the website of the relevant investment company and from major market data vendors. Major market data vendors also

provide intra-day and end-of-day prices for total return swaps, bond or corporate credit index swaps, and interest rate swaps.

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 documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at <http://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 may be published daily in the financial section of newspapers. Quotation and last sale information for the Shares and exchange-traded investment company securities will be available via the CTA high-speed line. In addition, the PIV, as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors. The dissemination of the PIV, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of a Fund on a daily basis and to provide a close estimate of that value throughout the trading day.

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

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 a Fund.³⁷ Trading in Shares of a 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 holdings and/or the financial instruments comprising the Disclosed Portfolio of a 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 a 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 a.m. to 8 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.

The Shares will conform to the initial and continued listing criteria under Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Funds will be in

³⁷ See NYSE Arca Equities Rule 7.12.

compliance with Rule 10A-3³⁸ under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for each 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 and the Disclosed Portfolio will be made available to all market participants at the same time.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the FINRA's on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.³⁹ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, futures, exchange-listed options and exchange-listed investment company securities with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the

³⁸ 17 CFR 240.10A-3.

³⁹ 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.

Shares, futures, exchange-listed options and exchange-listed investment company securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, futures, exchange-listed options and exchange-listed investment company securities from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.⁴⁰ FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Funds reported to FINRA's TRACE.

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 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 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.

⁴⁰ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Funds may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, the Bulletin will reference that the Funds are 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)⁴¹ 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. To meet its respective investment objective, under normal market conditions, each Fund intends to invest substantially all of its assets in (i) CDS cleared by a clearing organization which are either (a) CDS index swaps, including CDX Index swaps, based on multiple CDS relating to the debt issued by different Reference Entities, or (b) Single Name CDS; (ii) futures contracts based on CDS or other similar futures contracts, and (iii) U.S. Treasury securities, money market instruments, and cash. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. FINRA, on behalf of the

⁴¹ 15 U.S.C. 78f(b)(5).

Exchange, will communicate as needed regarding trading in the Shares, futures, exchange-listed options and exchange-listed investment company securities with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares, futures, exchange-listed options and exchange-listed investment company securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, futures, exchange-listed options and exchange-listed investment company securities from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

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 Adviser is affiliated with a broker-dealer and has represented that it has implemented a fire wall with respect to its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the applicable portfolio. 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. Pricing and market information for CDS (including CDX Index swaps) is available by subscription and information on pricing is distributed on Bloomberg and other similar resources. ICE Clear Credit LLC provides daily price and transaction information by subscription to its members and other market participants. Additionally, pricing intraday regarding CDX Index swaps is provided free to the public, with a fifteen minute delay, on the Markit website. Market participants regularly receive executable and indicative quotations on CDS from dealers. Authorized participants and other market participants can also obtain CDS prices by subscription from third parties through on-line services. Another source of intra-day

information about CDS prices is the market for OTC corporate bonds on which the CDS are based. Information regarding the previous day's closing price and trading volume information may be published daily in the financial section of newspapers. Quotation and last sale information for the Shares and exchange-traded investment company securities will be available via the CTA high-speed line. In addition, the PIV, as defined in NYSE Arca Equities Rule 8.600(c)(3), will be disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors. On each business day, each Fund will disclose on its website the Disclosed Portfolio that will form the basis for a Fund's calculation of NAV at the end of the business day. 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. Trading in Shares of a 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 a 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 additional types of actively-managed exchange-traded products 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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of actively-managed exchange-traded products that are based on swaps indexes and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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

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

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2013-144 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-2013-144. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-NYSEArca-2013-144 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴²

Kevin M. O'Neill
Deputy Secretary

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⁴² 17 CFR 200.30-3(a)(12).