

promote fair disclosure of information that may be necessary to price the Shares appropriately and to prevent trading when a reasonable degree of transparency cannot be assured. The Commission notes that the Exchange will obtain a representation from the Fund 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.<sup>12</sup> Additionally, if it becomes aware that the NAV or the Disclosed Portfolio is not disseminated daily to all market participants at the same time, the Exchange will halt trading in the Shares until such information is available to all market participants.<sup>13</sup> Further, if the PIV is not being disseminated as required, the Exchange may halt trading during the day in which the disruption occurs; if the interruption persists past the day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption.<sup>14</sup> The Exchange represents that the Manager has implemented a "fire wall" between it and its broker-dealer affiliate with respect to access to information concerning the composition and/or changes to the Fund's portfolio. Similarly, one of the sub-advisors, Wedgewood, a registered broker-dealer, also has implemented such a "fire wall."<sup>15</sup> Any additional Fund subadvisers affiliated with a broker-dealer will be required to implement a firewall to prevent its broker-dealer affiliate from accessing information concerning the composition and/or changes to the Fund's portfolio.<sup>16</sup> Further, the Commission notes that the Reporting Authority that provides the Disclosed Portfolio must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public

information regarding the actual components of the portfolio.<sup>17</sup>

The Exchange has represented that the Shares are equity securities subject to the Exchange's rules governing the trading of equity securities. In support of this proposal, the Exchange has made representations, including:

(1) The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600.

(2) The Exchange's surveillance 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.

(3) Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (a) The procedures for purchases and redemptions of Shares and that Shares are not individually redeemable; (b) 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; (c) 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; (d) how information regarding the PIV is disseminated; (e) 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 (f) trading information.

(4) The Funds will be in compliance with Rule 10A-3 under the Act.

(5) The Funds will not invest in non-U.S. equity securities.

This approval order is based on the Exchange's representations.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>18</sup> for approving the proposal prior to the thirtieth day after the date of publication of the Notice in the **Federal Register**. The Commission notes that it has approved the listing and trading on the Exchange of shares of other actively managed exchange-traded funds based on a portfolio of securities, the characteristics of which are similar to

those to be invested by the Fund.<sup>19</sup> The Commission also notes that it has received no comments regarding the proposed rule change. Further, the Commission believes that the increased creation and redemption unit sizes for the Funds described in Amendment No. 1<sup>20</sup> do not raise any regulatory concerns. The Commission finds that the proposed rule change does not raise any novel regulatory issues and believes that accelerating approval of this proposal should benefit investors by creating, without undue delay, additional competition in the market for Managed Fund Shares.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>21</sup> that the proposed rule change (SR-NYSEArca-2009-74), as modified by Amendment No. 1 thereto, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Florence E. Harmon,**  
Deputy Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-60725, File No. SR-MSRB-2009-12]

#### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Approving Proposed Rule Change Relating to Amendments to Rule G-11(i) (Settlement of Syndicate or Similar Account), Rule G-11(j) (Payment of Designations), and Rule G-12(i) (Settlement of Joint or Similar Account)

September 28, 2009.

On August 6, 2009, the Municipal Securities Rulemaking Board ("MSRB"), filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>19</sup> See, e.g., Securities Exchange Act Release Nos. 58512 (September 11, 2008), 73 FR 53915 (September 17, 2008) (SR-NYSEArca-2008-85) (approving the listing and trading of shares of the PowerShares Active U.S. Real Estate Fund); and 57619 (April 4, 2008), 73 FR 19544 (April 10, 2008) (SR-NYSEArca-2008-25) (approving the listing and trading of shares of the PowerShares Active AlphaQ Fund, PowerShares Active Alpha Multi-Cap Fund, and PowerShares Active Mega-Cap Portfolio, among other funds).

<sup>20</sup> See *supra* note 4.

<sup>21</sup> 15 U.S.C. 78s(b)(2).

<sup>22</sup> 17 CFR 200.30-3(a)(12).

<sup>12</sup> See NYSE Arca Equities Rule 8.600(d)(1)(B).

<sup>13</sup> See NYSE Arca Equities Rule 8.600(d)(2)(D).

<sup>14</sup> Trading in the Shares may also 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 comprising the Disclosed Portfolio and/or the financial instruments of the Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

<sup>15</sup> The Exchange also represents that RP, the Fund's primary sub-adviser, is not affiliated with a broker-dealer, and that any additional Fund sub-advisers that are affiliated with a broker-dealer will be required to implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the portfolio.

<sup>16</sup> See Notice, 74 FR at 44420.

<sup>17</sup> See NYSE Arca Equities Rule 8.600(d)(2)(B)(ii).

<sup>18</sup> 15 U.S.C. 78s(b)(2).

("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Rule G-11(i) (settlement of syndicate or similar account), Rule G-11(j) (payment of designations), and Rule G-12(i) (settlement of joint or similar account). The proposed rule change was published for comment in the **Federal Register** on August 18, 2009.<sup>3</sup> The Commission received one comment letter about the proposed rule change.<sup>4</sup> On September 22, 2009, the MSRB filed a response to the comment letter.<sup>5</sup> This order approves the proposed rule change.

The proposed rule change would accelerate the settlement of syndicate accounts and secondary market trading accounts, and the payment of designations, by shortening certain time periods within the rules. These proposals are designed to reduce the exposure of syndicate and secondary market trading account members to the risk of potential deterioration in the credit of the syndicate or account manager during the pendency of account settlements. For the proposed amendments to Rule G-11, the MSRB requested that the amendments become effective for new issues of municipal securities for which the Time of Formal Award (as defined in Rule G-34(a)(ii)(C)(1)(a)) is more than 30 calendar days after the date the amendments are approved by the SEC. For the proposed amendments to Rule G-12, the MSRB requested that the amendments become effective for secondary market trading accounts formed more than 30 days after the date the amendments are approved by the SEC. A full description of the proposal is contained in the Commission's Notice.

As previously noted, the Commission received one comment letter relating to the proposed rule change.<sup>6</sup> The RBDA generally supported the spirit of the MSRB's proposal and applauded the MSRB for acting to reduce risks faced by syndicate members, but expressed concern about the proposed amendments to Rule G-11(j). The RBDA supported the proposal to amend Rule G-11(i) to reduce the time period for

closing syndicate accounts to 30 calendar days following the date the issuer delivers the securities to the syndicate and also supported the proposed amendment to Rule G-12(i) to reduce the time to close joint or similar accounts—secondary market trading accounts—to 30 calendar days following the date all securities have been delivered by the account manager to the account members. However, the RBDA believes that the proposed amendments to Rule G-11(j) related to payments of designations imposing a deadline of two business days for submissions of designations and 10 calendar days for payments of designations is too short and would create undue burdens for both syndicate members and managers. The RBDA recommended that the MSRB maintain the current 30-day deadline for the payments of designations.

The MSRB stated in its Response Letter that the proposed amendments to Rule G-11(j) are intended to reduce the exposure of co-managers to the credit risk of the senior manager. The MSRB noted that in most underwriting syndicates, a large percentage of the syndicate profits are distributed as payments for designations. The MSRB believes that the shorter time periods are reasonable and that any administrative burdens associated with the changes are more than outweighed by the significant reduction in credit risk to co-managers, especially in the case of smaller firms. Accordingly, the MSRB did not propose to modify the proposal.

The Commission has carefully considered the proposed rule change, the comment letter received, and the MSRB's response to the comment letter and finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the MSRB<sup>7</sup> and, in particular, the requirements of Section 15B(b)(2)(C) of the Act<sup>8</sup> and the rules and regulations thereunder. Section 15B(b)(2)(C) of the Act requires, among other things, that the MSRB's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and

open market in municipal securities, and, in general, to protect investors and the public interest.<sup>9</sup> In particular, the Commission finds that the proposed rule change is consistent with the Act because it will further the free and open market in municipal securities by reducing the exposure of dealers to the potential deterioration of the credit of syndicate managers during the period prior to settlement of syndicate accounts and by providing a comparable rule for the settlement of secondary market trading accounts. The proposed amendments will become effective on the dates requested by the MSRB.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (SR-MSRB-2009-12), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-60722; File No. SR-FINRA-2009-063]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend to November 30, 2010, the Implementation of FINRA Rule 4240 (Margin Requirements for Credit Default Swaps)

September 25, 2009.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 21, 2009, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is

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

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

<sup>3</sup> See Securities Exchange Act Release No. 60487 (Aug. 12, 2009), 74 FR 41771 (August 18, 2009) ("Commission's Notice").

<sup>4</sup> See letter from Michael Decker and Mike Nicholas, Co-Chief Executive Officers, Regional Bond Dealers Association ("RBDA"), dated September 8, 2009.

<sup>5</sup> See letter from Margaret C. Henry, Associate General Counsel, MSRB, to Elizabeth M. Murphy, Secretary, SEC, dated September 22, 2009 ("Response Letter").

<sup>6</sup> See *supra* note 4.

<sup>7</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>9</sup> *Id.*

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6).