



Investors Exchange Product Information Circular 2016 - 0253

Date: August 31, 2016

Re: Direxion Shares ETF Trust

Investors Exchange LLC commenced operating as a national securities exchange on August 19, 2016 followed by a two-week security-by-security phase-in period. This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to IEX Rule 16.160, and will begin trading on IEX during the phase-in period. See the [Exchange’s Website](#) for the phase-in schedule.

<u>Security (“Funds”)</u>	<u>Symbol</u>
30-Year Treasury Bull 3X Shares	TMF
30-Year Treasury Bear 3X Shares	TMV
10-Year Treasury Bull 3X Shares	TYD
10-Year Treasury Bear 3X Shares	TYO

Issuer: Direxion Shares ETF Trust

Issuer Website: www.direxionshares.com

Primary Listing Exchange: NYSE Arca

Primary Exchange Circular: RB-09-50 (TMF and TMV) and RB-09-49 (TYD and TYO) (April 16, 2009)

Issuer Registration Statement: Nos. 333-150525 and 811-22201

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange’s unlisted trading privileges, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the Shares and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website, examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange. The Issuer Website, the Prospectus, the Issuer Registration Statement and the Primary Exchange Circular are hereafter collectively referred to as the “Issuer Disclosure Materials.”

Background Information on the Funds

The Trust is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust consists of several exchange-traded funds (each, a “Fund” and collectively, the “Funds”). This circular refers only to the four Funds listed above. The shares of each of the Funds listed above are referred to herein as “Shares.” Rafferty Asset Management LLC (the “Adviser”) serves as the investment adviser for the Funds.



The Funds seek to provide daily investment results, before fees and expenses that correspond to the performance of a particular index or benchmark. Each of the Funds attempts to provide investment results that correlate positively to the return of an index or benchmark, meaning the Funds attempt to move in the same direction as the target index/benchmark. Each Fund's investment objective is not a fundamental policy and may be changed by the Fund's Board of Trustees without shareholder approval.

The Direxion Daily 10-Year Treasury Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the NYSE Current 10 Year U.S. Treasury Index ("10-Year Treasury Index"). The Direxion Daily 10-Year Treasury Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the 10-Year Treasury Index. (Collectively, the Direxion Daily 10-Year Treasury Bull 3X Shares and Direxion Daily 10-Year Treasury Bear 3X Shares are referred to as the "10-Year Treasury Funds").

The Direxion Daily 10-Year Treasury Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in U.S. government securities that comprise the 10-Year Treasury Index. The Direxion Daily 10-Year Treasury Bull 3X Shares also will invest in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the 10-Year Treasury Index. Under normal circumstances, the Direxion Daily 10-Year Treasury Bear 3X Shares creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the 10-Year Treasury Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily 10-Year Treasury Bull 3X Shares also holds Money Market Instruments.

The NYSE Current 10 Year U.S. Treasury Index is a one-security index comprised of the most recently issued 10-Year Treasury Note. Notes eligible for inclusion must be U.S. dollar-denominated Treasury notes with a fixed rate, non-zero coupon that are non-callable with a maturity of 10 years at issuance. The issue chosen at rebalancing is the most recently issued eligible Treasury note that settles on or before the final calendar day of the month. The official index close is calculated each trading day using the 4:00 pm Eastern time end-of-day bid. On days that the U.S. equity markets close early, the bond price is derived at the closing time of the New York Stock Exchange, or 1:00 pm EST. On days when the US bond market has a suggested early close as determined by the SIFMA the bond price is derived at the suggested close of 2:00 pm EST. Calculations of index returns and characteristics adhere to US Treasury market trading and settlement conventions. At time of issuance, this includes Actual/Actual day count convention with a semi-annual payment frequency. Bonds trade on a clean price basis (quoted without accrued interest). New issuance is evaluated at each month-end rebalancing. If a new, eligible, US Treasury note or bond has been issued during the month, the existing issue in the index is sold on the rebalancing date and all proceeds including coupon reinvestment are rolled into the newly selected issue.

The Direxion Daily 30-Year Treasury Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the NYSE Current 30 Year U.S. Treasury Index ("30-Year Treasury Index"). The Direxion Daily 30-Year Treasury Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the 30-Year Treasury Index. (Collectively, the Direxion Daily 30-Year Treasury Bull 3X Shares and Direxion Daily 30-Year Treasury Bear 3X Shares are referred to as the "30-Year Treasury Funds").

The Direxion Daily 30-Year Treasury Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in U.S. government securities that comprise the 30-Year Treasury Index. The Direxion Daily 30-Year Treasury Bull 3X Shares also will invest in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the 30-Year Treasury Index. Under normal circumstances, the Direxion Daily 30-Year Treasury Bear 3X Shares creates short



positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the 30-Year Treasury Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily 30-Year Treasury Bull 3X Shares also holds Money Market Instruments.

The NYSE Current 30 Year U.S. Treasury Index is a one-security index comprised of the most recently issued 30-Year Bond. Bonds eligible for inclusion must be U.S. dollar-denominated Treasury bonds with a fixed rate, non-zero coupon that are non-callable with a maturity of 30 years at issuance. The issue chosen at rebalancing is the most recently issued eligible Treasury note that settles on or before the final calendar day of the month. The official index close is calculated each trading day using the 4:00 pm Eastern time end-of-day bid. On days that the U.S. equity markets close early, the bond price is derived at the closing time of the New York Stock Exchange, or 1:00 pm EST. On days when the US bond market has a suggested early close as determined by the SIFMA the bond price is derived at the suggested close of 2:00 pm EST. Calculations of index returns and characteristics adhere to US Treasury market trading and settlement conventions. At time of issuance, this includes Actual/Actual day count convention with a semi-annual payment frequency. Bonds trade on a clean price basis (quoted without accrued interest). New issuance is evaluated at each month-end rebalancing. If a new, eligible, US Treasury note or bond has been issued during the month, the existing issue in the index is sold on the rebalancing date and all proceeds including coupon reinvestment are rolled into the newly selected issue.

For more information regarding each Fund's investment strategy, please read the prospectus for the Funds.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Each Fund pays out dividends from its net investment income, and distributes any net capital gains, to its shareholders at least annually.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Issuer Website.

Principal Risks



Interested persons are referred to the prospectus for a description of risks associated with an investment in the Shares. These risks include the risk that a Fund's return may not match the return of its index for a number of reasons including the incursion by a Fund of operating expenses and costs not applicable to its index. In addition, as noted in the prospectus, the Shares may trade at market prices that differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares on the Exchange.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The Securities and Exchange Commission (the "SEC") has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange-traded securities listed and traded on a registered national securities exchange that meet certain criteria.

AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS

COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.

Regulation M Exemptions

Generally, the Fund is exempted from Rule 101 pursuant to paragraph (c)(4) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Fund is exempted under Rule 102(d)(4), permitting a Fund to redeem Shares during the continuous offering of Shares.

Rule 10b-17 (Untimely Announcement of Record Dates)

The SEC has granted an exemption from the requirements of Rule 10b-17 that will cover transactions in the Shares.

Section 11(d)(1); Rule 11d1-2 (Customer Margin)

The SEC has taken a no-action position under Section 11(d)(1) that will permit broker-dealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. For broker-dealers that engage in the creation of Shares, the SEC has also taken a no-action position under Rule 11d1-2 that will cover the extension or maintenance or the arrangement for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days.

SEC Rule 15c1-5 and 15c1-6 (Disclosure of Control and interest in Distributions)



The SEC has taken a no-action position under Rule 15c1-5 that will permit a broker-dealer to execute transactions in Shares without disclosing any control relationship with an issuer of a component security. In addition, the SEC has taken a no-action position under Rule 15c1-6 that will permit a broker dealer to execute transactions in the Shares without disclosing its participation or interest in a primary or secondary distribution of a component security.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on IEX is subject to IEX trading rules.

Trading Hours

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during the Regular Trading Session.

The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Delivery of a Prospectus

Exchange Members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund. Prospectuses may be obtained through the

Fund's website. The prospectus for a Fund does not contain all of the information set forth in the Fund's Registration Statement (including the exhibits to the Registration Statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to its Registration Statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and in the future make available a written product description, Exchange Rules requires that Exchange Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Issuer of the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, Exchange Members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by an Exchange member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [*the UTP Derivative Securities*] has been prepared by the [*open-ended management investment company name*] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [*the UTP Derivative Securities*]."



An Exchange member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to Exchange member under this rule.

Upon request of a customer, Exchange Members also shall provide a copy of the Prospectus.

Suitability

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

Trading Halts

Exchange will halt trading in the Shares of a security in accordance with Exchange Rules. The grounds for a halt under Exchange Rules include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, Exchange will stop trading the Shares of a security if the primary market de-lists the security.

This Information Circular is not a statutory prospectus. Members should consult the prospectus for a security and the security's website for relevant information.

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.