



Investors Exchange Product Information Circular 2016 - 0660

Date: August 31, 2016

Re: PowerShares Exchange-Traded Fund Trust II

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>Securities (the “Fund” or, collectively, the “Funds”)</u>	<u>Symbol</u>
PowerShares S&P SmallCap Consumer Staples Portfolio	PSCC
PowerShares S&P SmallCap Energy Portfolio	PSCE
PowerShares S&P SmallCap Financials Portfolio	PSCF
PowerShares S&P SmallCap Health Care Portfolio	PSCH
PowerShares S&P SmallCap Industrials Portfolio	PSCI
PowerShares S&P SmallCap Information Technology Portfolio	PSCT
PowerShares S&P SmallCap Materials Portfolio	PSCM
PowerShares S&P SmallCap Utilities Portfolio	PSCU
PowerShares S&P SmallCap Consumer Discretionary Portfolio	PSCD

Issuer/Trust: PowerShares Exchange-Traded Fund Trust II

Issuer Website: www.invescopowershares.com

Primary Listing Exchange: NASDAQ

Primary Exchange Circular: April 5, 2010

Registration Statement: Nos. 811-22125 and 333-156024

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 more than 40 exchange-traded funds. This circular refers only to the Funds listed above. The shares of each Fund are referred to herein as “Shares.” Invesco PowerShares Capital Management LLC (the “Adviser”) serves as the investment adviser for each Fund.

PSCC seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Consumer Staples Index (the “PSCC Index”). PSCC’s investment objective and the PSCC Index may be changed without shareholder approval. The PSCC Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. consumer staples companies included in the S&P SmallCap 600 Index.

PSCE seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Energy Index (the “PSCE Index”). PSCE’s investment objective and the PSCE Index may be changed without shareholder approval. The PSCE Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. energy companies included in the S&P SmallCap 600 Index.

PSCF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Financials Index.

PSCF’s investment objective and the PSCF Index may be changed without shareholder approval. The PSCF Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. financial services companies included in the S&P SmallCap 600 Index.

PSCH seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Health Care Index (the “PSCH Index”). PSCH’s investment objective and the PSCH Index may be changed without shareholder approval. The PSCH Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. healthcare companies included in the S&P SmallCap 600 Index.

PSCI seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Industrials Index (the “PSCI Index”). PSCI’s investment objective and the PSCI Index may be changed without shareholder approval. The PSCI Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. industrial companies included in the S&P SmallCap 600 Index.

PSCT seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Information Technology Index (the “PSCT Index”). PSCT’s investment objective and the PSCT Index may be changed without shareholder approval. The PSCT Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. information technology companies included in the S&P SmallCap 600 Index.

PSCM seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Materials Index (the “PSCM Index”). PSCM’s investment



objective and the PSCM Index may be changed without shareholder approval. The PSCM Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. basic materials companies included in the S&P SmallCap 600 Index.

PSCU seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Utilities Index (the "PSCU Index"). PSCU's investment objective and the PSCU Index may be changed without shareholder approval. The PSCU Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. utility companies included in the S&P SmallCap 600 Index.

PSCD seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Consumer Discretionary Index (the "PSCD Index"). PSCD's investment objective and the PSCD Index may be changed without shareholder approval. The PSCD Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. consumer discretionary companies included in the S&P SmallCap 600 Index.

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

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), each Fund issues and redeems Shares at net asset value ("NAV") only in large blocks of shares, respectively, (each block of Shares called a "Creation Unit") or multiples thereof. Each Creation Unit consists of 50,000 shares. 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 each Fund.

Dividends from net investment income, if any, are declared and paid at least quarterly by each Fund. Distributions of net realized securities gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for each Fund.

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 each Fund and is recognized as the owner of all Shares for all purposes.

The NAV of each Fund is generally determined at the close of regular trading (normally 4:00 p.m. Eastern time) every day the NYSE is open. NAV is calculated by deducting all of a Fund's liabilities from the total value of its assets and dividing the result by the number of Shares outstanding, rounding to the nearest cent.

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

Principal Risks

Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector risk, investment approach risk, non-diversification risk, issuer-specific risk, management risk, liquidity risk, REIT risk, concentration risk, and micro-, small- and medium-sized company risk.



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.

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, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.



Rule 10b-10 (Customer Confirmations for Creation or Redemption of Fund Shares)

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations (“Deposit Securities”) or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder (“Redemption Securities”). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemption is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c); and
- 3) Except for the identity, number, and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

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.

Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchase; or



- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

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.

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.