



## Investors Exchange Product Information Circular 2016 - 0908

**Date:** September 2, 2016

**Re:** United States Copper Index Fund

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.

### Securities (the “Trust”)

### Symbol

United States Copper Index Fund

CPER

**Issuer/Trust:** United States Commodity Index Funds Trust

**Issuer Website:** [www.unitedstatescopperindexfund.com](http://www.unitedstatescopperindexfund.com)

**Primary Listing Exchange:** NYSE Arca

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 Fund

As more fully explained in the Registration Statement (No. 333-170844), the United States Copper Index Fund (the “Fund” or “CPER”), is a commodity pool that is not registered as an investment company under the Investment Company Act of 1940. Each Unit of the Fund (the “Unit” or “Units” or “Shares”) represents a fractional undivided beneficial interest in the net assets of the Fund. CPER is not a mutual fund registered under the Investment Company Act of 1940 and is not subject to regulation under such Act.

The investment objective of the Fund is for the daily changes in percentage terms of its Units’ net asset value (“NAV”) to reflect the daily changes in percentage terms of the SummerHaven Copper Index Total Return (the “Copper Index”), less the Fund’s expenses. The Copper Index is designed as a benchmark for investors seeking attractive risk-adjusted returns on a portfolio of copper futures contracts. The



Fund's sponsor does not intend to operate the Fund in a fashion such that its per unit NAV will equal, in dollar terms, the spot price of copper underlying the futures contracts that comprise the Copper Index from time to time.

The sponsor of the Fund is United States Commodity Funds LLC (the "Sponsor"), a Delaware limited liability company that is registered as a commodity pool operator with the Commodity Futures Trading Commission and is a member of the National Futures Association. The Sponsor controls the operations of the Fund and will employ a trading advisor for the Fund, as necessary. The trading advisor for the Fund is SummerHaven Investment Management, LLC.

The Copper Index is a single-commodity index designed to be an investment benchmark for copper as an asset class. The Copper Index is composed of copper futures contracts on the COMEX exchange. The Copper Index attempts to maximize backwardation and minimize contango while utilizing contracts in liquid portions of the futures curve. The Copper Index is rules-based and is rebalanced monthly based on observable price signals. The price signal related to the Copper Index is based on "basis." Basis is the annualized percentage difference between the nearest-to-maturity contract's price and the second nearest-to-maturity contract's price. The basis calculation can produce a positive number, such that the nearest-to-maturity contract is higher than the second nearest-to-maturity contract's price (a condition also referred to as "backwardation"), or it can produce a negative number, such that the nearest-to-maturity contract's price is lower than the second nearest-to-maturity contract's price (a condition also referred to as "contango").

At the end of each month, (1) the copper futures curve is assessed to be in either backwardation or contango as discussed above and (2) the annualized percentage price difference between the closest-to- expiration Eligible Copper Futures Contract and each of the next four Eligible Copper Futures Contracts is calculated. If the copper futures curve is in backwardation at the end of a month, the Copper Index takes positions in the two Eligible Copper Futures Contracts with the highest annualized percentage price difference, each weighted at 50%. If the copper futures curve is in contango, then the Copper Index takes positions in three Eligible Copper Futures Contracts, as follows: first, the Copper Index takes positions in the two Eligible Copper Futures Contracts with the highest annualized percentage price difference, each weighted at 25%; then the Copper Index also takes a position in the nearest-to-maturity December Eligible Copper Futures Contract that has expiration more distant than the fourth nearest Eligible Copper Futures Contract, which position is weighted at 50%. Such formulas are not subject to adjustment based on other factors.

The investment objective of the Fund is for the daily changes in percentage terms of its Units' NAV to reflect the daily changes in percentage terms of the Copper Index, less the Fund's expenses. The Copper Index is designed to reflect the performance of the investment returns from a portfolio of copper futures contracts. The Copper Index is owned and maintained by SummerHaven Indexing and calculated and published by the NYSE Arca. The Copper Index is comprised of either two or three Eligible Copper Futures Contracts that are selected on a monthly basis based on quantitative formulas relating to the prices of the Eligible Copper Futures Contracts developed by SummerHaven Indexing. The Eligible Copper Futures Contracts that at any given time make up the Copper Index are referred to herein as "Benchmark Component Copper Futures Contracts."

The Fund will seek to achieve its investment objective by investing to the fullest extent possible in the Benchmark Component Copper Futures Contracts. Then if constrained by regulatory requirements, such as those described in "What are Futures Contracts? — Impact of Position Limits, Accountability Levels, and Price Fluctuation Limits," or in view of market conditions, US CPR will invest next in other Eligible Copper Futures Contracts, and finally to a lesser extent, in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts if one or more other Eligible Copper Futures Contracts is not available. When the Fund has



invested to the fullest extent possible in exchange-traded futures contracts, the Fund may then invest in other contracts and instruments based on the Benchmark Component Copper Futures Contracts, other Eligible Copper Futures Contracts or copper, such as cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts. Other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts and other contracts and instruments based on the Benchmark Component Copper Futures Contracts, are collectively referred to as “Other Copper-Related Investments,” and together with Benchmark Component Copper Futures Contracts and other Eligible Copper Futures Contracts, “Copper Interests.”

The benchmark for the Fund is the Copper Index. The Sponsor endeavors to place the Fund’s trades in Copper Interests and otherwise manage the Fund’s investments so that “A” will be within plus/minus 10 percent of “B,” where:

- A is the average daily percentage change in the Fund’s NAV for any period of 30 successive NYSE Arca trading days as of which the Fund calculates its NAV (each such trading day, a “Valuation Day”); and
- B is the average daily percentage change in the Copper Index over the same period.

The Sponsor believes that market arbitrage opportunities will cause the Fund’s Unit price on the NYSE Arca to closely track the Fund’s NAV per Unit. The Sponsor believes that the net effect of this expected relationship and the expected relationship described above between the Fund’s NAV and the Copper Index will be that the changes in the price of the Fund’s Units on the NYSE Arca will closely track, in percentage terms, changes in the Copper Index, less the Fund’s expenses.

The Fund will invest in Copper Interests to the fullest extent possible without being leveraged or unable to satisfy its expected current or potential margin or collateral obligations with respect to its investments in Copper Interests. The primary focus of the Sponsor is the investment in Copper Interests and the management of the Fund’s investments in Treasuries, cash and/or cash equivalents.

The Sponsor will employ a “neutral” investment strategy for the Fund intended to track the changes in the Copper Index regardless of whether the Copper Index goes up or goes down. The Fund’s “neutral” investment strategy is designed to permit investors generally to purchase and sell the Fund’s Units for the purpose of investing indirectly in the copper market in a cost-effective manner, and/or to permit participants in the commodities or other industries to hedge the risk of losses in their copper-related transactions.

Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in the commodities market and/or the risks involved in hedging may exist. In addition, an investment in the Fund involves the risks that the changes in the price of the Fund’s Units will not accurately track the changes in the Copper Index, and that changes in the Copper Index will not closely correlate with changes in the spot price of copper underlying the Benchmark Component Copper Futures Contracts.

The Fund will offer Creation Baskets consisting of 100,000 Units through the Marketing Agent to Authorized Purchasers. It is expected that the initial Authorized Purchaser will, although it is under no obligation to do so, purchase one or more initial Creation Baskets of the Fund at a per unit price which is expected to initially be \$25.00. In order to satisfy NYSE Arca listing standards that at least 100,000 Units of the Fund be outstanding, the Sponsor may purchase one of such Creation Baskets of the Fund from the initial Authorized Purchaser at the initial offering price of such Units and hold it for an indefinite period of time. The Sponsor has agreed not to resell the Units comprising such basket except that it



may require the initial Authorized Purchaser to repurchase all of such Units at a per Unit price equal to the Fund's per Unit NAV within 5 days following written notice from the Sponsor, subject to the conditions that (i) on the date of repurchase, the initial Authorized Purchaser must immediately redeem these Units in accordance with the terms of the Authorized Purchaser Agreement and (ii) immediately following such redemption at least 100,000 Units of the Fund remain outstanding. It is expected that the proceeds from the initial Authorized Purchaser's purchase will be invested on the day of such purchase and that the initial per Unit net asset value of the Fund will be established as of 4:00 p.m. New York City time that day. Units offered in creation baskets on any subsequent day will be offered at the per unit NAV calculated shortly after the close of the core trading session on the NYSE Arca.

An Authorized Purchaser is under no obligation to offer to the public Units of any baskets it creates. Authorized Purchasers that offer to the public Units from the baskets they create will do so at per-Unit offering prices that are expected to reflect, among other factors, the trading price of the Units on the NYSE Arca, the NAV of the Fund at the time the Authorized Purchaser purchased the creation basket and the net asset value at the time of the offer of the Units to the public, the supply of and demand for Units at the time of sale, and the liquidity of the commodity futures contract market and the market for other commodity-related investments. The prices of Units offered by Authorized Purchasers are expected to fall between the Fund's NAV and the trading price of its Units on the NYSE Arca at the time of sale. The difference between the price paid by Authorized Purchasers as underwriters and the price paid to such Authorized Purchasers by investors will be deemed underwriting compensation.

Please see the Fund's prospectus for more information regarding the Fund and its investment objective.

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 discussion in the prospectus for the Fund of the principal risks of an investment in the Fund. These include tracking error risk (factors causing the Fund's performance to not match the performance of the 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, concentration risk, industry risk and equity security 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, (3)



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.

### **Dissemination of Data**

The Consolidated Tape Association will disseminate real time trade and quote information for the Shares to Tape B.

<i>Name</i>	<i>Listing Market</i>	<i>Trading Symbol</i>	<i>IOPV Symbol</i>	<i>NAV Symbol</i>
United States Copper Index Fund	NYSE Arca	CPER	CPER.IV	CPER.NV

### **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 the Fund does not contain all of the information set forth in the Funds 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 1940 Act and in the future make available a written product description, Exchange Rules require 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 IEX 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 such 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 Exchange 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**

The Exchange will halt trading in the Shares of a security in accordance with Exchange Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

### **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).

#### **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.

#### **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.