



## Investors Exchange Product Information Circular 2016 - 0927

**Date:** September 7, 2016

**Re:** PureFunds Solactive FinTech ETF and PureFunds ETFx HealthTech ETF

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 Investors Exchange (“IEX” or the “Exchange”) as UTP Derivative Securities pursuant to IEX Rule 16.160. Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing shares of the exchange-traded funds. Please forward this Information Circular to interested persons within your organization.

<u>EXCHANGE-TRADED FUND</u>	<u>SYMBOL</u>	<u>CUSIP #</u>
PureFunds Solactive FinTech ETF	FINQ	26924G854
PureFunds ETFx HealthTech ETF	IMED	26924G862

**Commencement of Trading on the Exchange:** September 8, 2016

**Primary Listing Exchange:** Nasdaq

**Primary Exchange Circular:** August 31, 2016

**Issuer Registration Statement:** 333-182274 and 811-22310

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 products. For a more complete description of the Issuer, the securities and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website or examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange.

### **Background Information on the Fund**

The ETF Managers Trust (“Trust”) is a management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act”), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a “Fund” and together, the “Funds”). The shares of the Funds are referred to herein as “Shares.” ETF Managers Group, LLC (the “Adviser”) is the investment adviser to the Funds.



## **PureFunds Solactive FinTech ETF**

The PureFunds Solactive FinTech ETF (“FINQ Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Solactive FinTech Index (“FINQ Index”).

The FINQ Fund will use a “passive” or indexing approach to try to achieve its investment objective. Unlike many investment companies, the FINQ Fund does not try to “beat” the FINQ Index and does not seek temporary defensive positions when markets decline or appear overvalued.

The FINQ Fund will use a replication strategy. A replication strategy is an indexing strategy that involves investing in the securities of the FINQ Index in approximately the same proportions as in the FINQ Index. However, the FINQ Fund may utilize a representative sampling strategy with respect to the FINQ Index when a replication strategy might be detrimental to shareholders, such as when there are practical difficulties or substantial costs involved in compiling a portfolio of equity securities to follow the FINQ Index, in instances in which a security in the FINQ Index becomes temporarily illiquid, unavailable or less liquid, or as a result of legal restrictions or limitations (such as tax diversification requirements) that apply to the FINQ Fund but not the FINQ Index.

The FINQ Index tracks the performance of the exchange-listed common stock (or corresponding American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”)) of companies across the globe at the intersection of finance and technology that are principally engaged in the development or use of software solutions to create or deliver financial services products and services (collectively “FinTech Companies”). FinTech Companies are typically technology services companies that principally derive revenue from the sale of financial-related information, financial data analysis services, financial services software tools or platforms, or web-based financial services.

The initial universe of FinTech Companies is determined based on proprietary research and analysis conducted by Solactive AG (“Solactive”), the “Index Provider”. Solactive uses a variety of publicly available resources for such analysis, including financial statements and other reports published by issuers to identify companies in the professional services or software and services industry groups that are FinTech Companies.

FinTech Companies are then screened for investibility (e.g., must not be listed on an exchange in a country which employs certain restrictions on foreign capital investment), a minimum market capitalization of \$200 million, and liquidity. Each remaining FinTech Company is equally weighted at the time of each reconstitution of the FINQ Index. As of August 16, 2016, the FINQ Index had 33 constituents, 10 of which were foreign companies.

The FINQ Index has a quarterly review in March, June, September, and December of each year at which time the FINQ Index is reconstituted and rebalanced by Solactive. Component changes are made after the market close on the third Friday of March, June, September, and December and become effective at the market opening on the next trading day. Changes are announced on the Index Provider’s publicly available website prior to their effective date.

The FINQ Index is owned, calculated, and maintained by Solactive. Solactive is independent of the FINQ Fund and the FINQ Fund’s investment adviser.

The FINQ Fund will invest at least 80% of its total assets in the component securities of the FINQ Index and in ADRs and GDRs based on the component securities in the FINQ Index. The FINQ Fund may invest up to 20% of its total assets in securities that are not in the FINQ Index to the extent that the FINQ



Fund's investment adviser believes such investments should help the FINQ Fund's overall portfolio track the FINQ Index.

Correlation is the extent to which the values of different types of investments move in tandem with one another in response to changing economic and market conditions. An index is a theoretical financial calculation, while the FINQ Fund is an actual investment portfolio. The performance of the FINQ Fund and the FINQ Index may vary somewhat due to transaction costs, asset valuations, foreign currency valuations, market impact, corporate actions (such as mergers and spin-offs), legal restrictions or limitations, illiquid or unavailable securities, and timing variances.

The FINQ Fund's investment adviser expects that, over time, the correlation between the FINQ Fund's performance and that of the FINQ Index, before fees and expenses, will exceed 95%. A correlation percentage of 100% would indicate perfect correlation. If the FINQ Fund uses a replication strategy, it can be expected to have greater correlation to the FINQ Index than if it uses a representative sampling strategy.

The FINQ Fund will concentrate its investments (i.e., hold more than 25% of its net assets) in a particular industry or group of related industries to approximately the same extent that the FINQ Index is concentrated. As of August 16, 2016, the FINQ Index was concentrated in companies in the software and services industries group.

### **PureFunds ETFx HealthTech ETF**

The PureFunds ETFx HealthTech ETF ("IMED Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the ETFx HealthTech Index ("IMED Index").

The IMED Fund will use a "passive" or indexing approach to try to achieve its investment objective. Unlike many investment companies, the IMED Fund does not try to "beat" the IMED Index and does not seek temporary defensive positions when markets decline or appear overvalued.

The IMED Fund will use a replication strategy. A replication strategy is an indexing strategy that involves investing in the securities of the IMED Index in approximately the same proportions as in the IMED Index. However, the IMED Fund may utilize a representative sampling strategy with respect to the IMED Index when a replication strategy might be detrimental to shareholders, such as when there are practical difficulties or substantial costs involved in compiling a portfolio of equity securities to follow the IMED Index, in instances in which a security in the IMED Index becomes temporarily illiquid, unavailable or less liquid, or as a result of legal restrictions or limitations (such as tax diversification requirements) that apply to the IMED Fund but not the IMED Index.

The IMED Index tracks the performance of the exchange-listed common stock ADRs or GDRs of companies across the globe at the intersection of technology and the allocation, delivery, and management of healthcare services and products ("HealthTech"). Specifically, the IMED Index tracks the performance of companies ("HealthTech Companies") principally engaged in one of the following HealthTech sectors (each a "Sector"):

Healthcare Informatics - companies that are principally engaged in providing information technology services to health care providers and facilitating such providers' interactions with their patients/consumers. Healthcare Informatics includes the provision of application, systems and/or data processing software, advanced visualization software, internet-based tools, and information technology



consulting services to doctors, hospitals, or businesses operating primarily in the health care field.

Medical Instruments - companies that are principally engaged in the design and sale of instruments that assist medical providers with medical procedures and treatments, as well as with patient care and recovery. Examples of such instruments include bio-surgery products, vaccines, products for blood collection, and processing and storage products and technologies for transfusion therapies.

Medical Appliances - companies that are principally engaged in the development and sales of devices used in the treatment of certain medical conditions. Examples of such devices include implantable biomedical devices such as defibrillators and pacemakers, spinal implant devices, and drug delivery systems.

The initial universe of HealthTech Companies is identified by ETFx Investment Partners, LLC (“ETFxIP”), the “Index Provider,” based on screening companies in the Healthcare sector for investibility (e.g., must not be listed on an exchange in a country which employs certain restrictions on foreign capital investment), a minimum market capitalization of \$500 million, and liquidity. ETFxIP then screens the remaining companies using a variety of publicly available resources, including financial statements and other reports published by issuers, to determine whether a company is principally engaged in one of the above HealthTech Sectors.

The IMED Index is reconstituted (i.e., HealthTech Companies may be added or removed from the IMED Index according to its rules) semi-annually in each March and September and rebalanced (i.e., Sector and company weights are reset according to the IMED Index rules) quarterly in each March, June, September, and December.

Exposure to each Sector at the time of each rebalance is weighted based on ETFxIP’s proprietary fundamental analysis of each Sector. Within each Sector, each HealthTech Company is equally weighted at the time of each rebalance of the IMED Index, provided that, at the time of each rebalance, no single stock may represent more than 20% of the weight of the IMED Index and the cumulative weight of all stocks with an individual weight of 5% or greater may not exceed 50% of the weight of the IMED Index. Component changes are made after the market close on the next-to-last business day of each March, June, September, and December and become effective at the market opening on the next trading day. Changes are generally announced to Index licensees at least three trading days prior to their effective date.

The IMED Index is calculated and maintained by Solactive AG (the “Index Calculation Agent”). Solactive is independent of the IMED Fund and the IMED Fund’s investment adviser.

As of June 30, 2016, the IMED Index had 60 constituents, 22 of which were foreign companies, and the weightings for each Sector were as follows: Medical Instruments (44.5%); Medical Appliances (39.0%); and Healthcare Informatics (16.5%).

The IMED Fund will invest at least 80% of its total assets in the component securities of the IMED Index and in ADRs and GDRs based on the component securities in the IMED Index. The IMED Fund may invest up to 20% of its total assets in securities that are not in the IMED Fund’s Index to the extent that the IMED Fund’s investment adviser believes such investments should help the IMED Fund’s overall portfolio track the IMED Index.

Correlation is the extent to which the values of different types of investments move in tandem with one another in response to changing economic and market conditions. An index is a theoretical financial calculation, while the IMED Fund is an actual investment portfolio. The performance of the IMED Fund



and the IMED Index may vary somewhat due to transaction costs, asset valuations, foreign currency valuations, market impact, corporate actions (such as mergers and spin-offs), legal restrictions or limitations, illiquid or unavailable securities, and timing variances.

The IMED Fund will concentrate its investments (i.e., hold more than 25% of its net assets) in a particular industry or group of related industries to approximately the same extent that the IMED Index is concentrated. As of June 30, 2016, the IMED Index was concentrated in companies in the Health Care Equipment and Services industries group.

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

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"). 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.

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 Funds' website at [www.pureetfs.com](http://www.pureetfs.com).

### **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), health care companies risk, foreign investment risk, currency risk, depository receipts risk, foreign securities risk, political and economic risk, health tech companies risk, market risk, market trading risk, new fund risk, non-diversification risk, passive investment risk, smaller companies risk, tracking error risk, and valuation risk.

### **Exchange Rules Applicable to Trading in the Shares**

Trading in the Shares is subject to IEX trading rules.



### **Trading Hours**

The value of each index underlying the Shares will be disseminated to data vendors every 15 seconds.

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 Fund Data**

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

<b>Fund Name</b>	<b>Listing Market</b>	<b>Trading Symbol</b>	<b>IOPV Symbol</b>	<b>NAV Symbol</b>
PureFunds Solactive FinTech ETF	NASDAQ	FINQ	FINQ.IV	FINQ.NV
PureFunds ETFx HealthTech ETF	NASDAQ	IMED	IMED.IV	IMED.NV

### **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**

The Exchange will halt trading in the Shares of a security in accordance with the Exchange's 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.

### **Delivery of A Prospectus**

Exchange members and member organizations 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 Funds 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 Securities and Exchange Commission ("SEC"). For further information about the Fund, please refer to the 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, IEX Rules require that members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, members and member organizations 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 members or member organizations 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 Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

Any Exchange member or member organization 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 members or member organizations under this rule.

Upon request of a customer, Exchange members or member organizations shall provide a copy of the prospectus.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange- traded Fund.

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 redemptions 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);
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): SEC RULES 11D1-1 AND 11D1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to



broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of the Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

### **SEC 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 purchased; 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**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. IEX members and member organizations should consult the Fund's prospectus and/or the Fund's website for relevant information.**

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