



## Investors Exchange Product Information Circular 2016 - 0949

**Date:** September 14, 2016

**Re:** PowerShares DB Base Metals Fund

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> |
|---------------------------------|---------------|
| PowerShares DB Base Metals Fund | DBB           |

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 Funds**

As more fully explained in the Registration Statement of the PowerShares DB Multi-Sector Commodity Trust (the “Trust”) (No. 333-135422), the Fund is designed to track the performance of its underlying benchmark index. This information circular relates only to the PowerShares DB Base Metals Fund (the “Fund”) The corresponding benchmark index of The Base Metals Fund is the Deutsche Bank Liquid Commodity Index – Optimum Yield Industrial Metals Excess Return™ (“Base Metals Index”).

Each share of a Fund (the “Share” or “Shares”) represents a fractional undivided beneficial interest in the net assets of that Fund. The investment objective of each Fund is to reflect the performance of its corresponding Index, over time, less the expenses of the operation of such Fund and the related Master Fund. Each of the Funds will pursue its investment objective by investing substantially all of its assets in the respective Master Funds. The assets of the Master Funds consist primarily of futures contracts on the commodities comprising the respective Index as well as cash and/or securities for margin purposes. Each Share will correlate with a related Master Fund share issued by such Master Fund and held by the related Fund. The Funds are not registered as investment companies under the Investment Company Act of 1940. The Funds and the related Master Funds are commodity pools operated by DB Commodity Services LLC (the “Managing Owner”), a wholly-owned indirect subsidiary of Deutsche Bank AG. The Managing Owner is a registered commodity pool operator (“CPO”) and commodity trading advisor (“CTA”) with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”).

Wilmington Trust Company (the “Trustee”) is the trustee of each of the Funds and the related Master Funds, the Bank of New York (the “Administrator”) is the administrator for each of the Funds and the related Master Funds and ALPS Distributors, Inc. (“Distributor”) is the distributor of the shares of each



of the Funds and the related Master Funds. On January 3, 2007, Deutsche Bank Securities Inc., as the initial purchaser, subject to certain conditions, agreed to purchase and took delivery of 200,000 Shares of each Fund, which comprise the initial Baskets, at a purchase price of \$25.00 per Share. The Funds will issue shares on a continuous basis to Authorized Participants.<sup>1</sup> Each Fund will issue and redeem shares only in blocks of 200,000 Shares or integral multiples thereof to Authorized Participants. A block of 200,000 Shares is called a "Basket." These transactions will be in exchange for a Cash Deposit Amount equal to 200,000 multiplied by the net asset value ("NAV") per Share of a Fund determined on each business day by the Administrator. Initially, the Cash Deposit Amount for each Fund will be approximately \$5 million. The Administrator will determine a Cash Deposit Amount for a given business day by multiplying the NAV for each Share by the number of Shares in each Basket (200,000). Only registered broker-dealers that become Authorized Participants by entering into a participant agreement with the Managing Owner and the respective Funds may purchase or redeem Baskets. Shares will be offered to the public from time to time at prices that will reflect, among other things, the prices of the underlying futures contracts comprising the related Index and the trading price of the Shares on the Amex at the time of the offer. Market prices for the Shares may be different from the NAV per Share. Except when aggregated in Baskets, Shares are not redeemable securities.

### **Other Information**

The NAV of a Fund is obtained by subtracting the related trust's liabilities on any day from the total assets of the related Master Fund. The NAV per Share is obtained by dividing the NAV of the related Fund on a given day by the number of Shares outstanding on that date. On each day on which the American Stock Exchange ("Amex") is open for regular trading, shortly after 4:00 p.m. Eastern time ("ET"), the Administrator will determine the NAV and NAV per Share. The Administrator will value all futures contracts held by each of the Master Funds on the basis of their then current market value. However, if a futures contract on a trading day cannot be liquidated due to the operation of daily limits or other rules of an exchange upon which such futures contract is traded, the settlement price on the most recent trading day on which futures contract could have been liquidated will be used in determining NAV. Shortly after 4:00 p.m. ET each business day, the Administrator will determine the Basket Amounts for orders placed by Authorized Participants received before 4:00 p.m. ET that day. Purchas orders are irrevocable. Baskets are issued as of 10:00 a.m. ET, on the business day immediately following the purchase order date (T+1) at NAV per share as of the closing time of Amex or the last futures exchange to close on which the respective Index commodities are traded, whichever is later, on the purchase order date if the required payment has been timely received. The Cash Deposit Amounts and the NAVs are communicated by the Administrator to all Authorized Participants via facsimile or electronic mail message and will be available on the Index Sponsor's website at <http://index.db.com>. The most recently reported NAV for the Shares and the Basket Amount will also be available on Amex's website (<http://www.amex.com>).

In the absence of any extraordinary expenses and liabilities, the expense ratio for The Base Metals Fund is expected to be up to 0.78%. The expense ratio may be lower based on actual expenses incurred. DTC serves as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding shares of the Funds.

The registration statement for the Funds provides a complete description of the various fees and

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<sup>1</sup> An "Authorized Participant" is a person, who at the time of submitting to the trustee an order to create or redeem one or more Baskets, (i) is a registered broker-dealer, (ii) is a Depository Trust Company ("DTC") Participant and (iii) has in effect a valid Participant Agreement.



expenses for the Shares. For a complete description of the Fund, visit [www.dbcfund.db.com](http://www.dbcfund.db.com).

### **Indicative Fund Value**

In order to provide updated information relating to the Fund for use by investors, professionals and persons wishing to create or redeem Shares, Amex will disseminate through the facilities of Consolidated Tape Association (“CTA”), an updated Indicative Fund Value (the “Indicative Fund Value”) for the Fund. The Indicative Fund Value will be disseminated on a per Share basis every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:15 p.m. ET under the index symbol “DBLCI-OY Industrial Metals ER”, for the Base Metals Fund. The Indicative Fund Value will be calculated based on the cash required for creations and redemptions (i.e. NAV per Share x 200,000) adjusted to reflect the price changes of the respective Index commodities through investments held by the related Master Fund. The Indicative Fund Values will not reflect price changes to the price of an underlying commodity between the close of trading of the futures contract at the relevant futures exchange and the close of trading on IEX at 4:00 p.m. ET. The value of a Share may accordingly be influenced by non-concurrent trading hours between IEX and the various futures exchanges on which the futures contracts based on the Index commodities are traded. The Indicative Fund Values on a per Share basis should not be viewed as a real time update of the related NAVs, which are calculated only once a day by the Administrator.

### **Purchases and Redemptions in Creation Unit Size**

IEX members are hereby informed that procedures for purchases and redemptions of Shares in Baskets are described in the prospectus for a Fund, and that Shares are not individually redeemable but are redeemable only in Baskets or multiples thereof.

### **Information About the Underlying Index**

Each of the underlying benchmark Indexes are structured to reflect changes in market value over time in certain sectors of commodities. For a full description of each Index, members and member organizations are referred to the Trust’s Registration Statement.

DB London calculates the Indexes on both an excess return basis and a total return basis. The excess return calculation reflects the change in market value over time whether positive or negative, of the applicable underlying commodity futures only. The total return calculation reflects the sum of the change in market value over time, whether positive or negative, of the applicable underlying commodity futures plus the return on 3-month U.S. Treasury bills. The Indexes will be calculated and disseminated every 15 seconds through Bloomberg, Reuters and on the DB London website at <http://index.db.com>.

The futures contracts on the Index commodities are rolled during the period in which the related Index is re-weighted. The Index Sponsor reviews and re-weights each Index on a quarterly basis, in accordance with its rules. The futures contracts held by the Funds are, therefore, three (3) months in duration. Each Index re-weighting period takes place just prior to the third Wednesday in each of March, June, September, and December. The futures contracts on the Index commodities are rolled during the index re-weighting period, which will occur over the fourth and third business days prior to each of the previously mentioned days.

The daily settlement prices for the futures contracts on the Index commodities are publicly available on



the websites of the futures exchanges trading the particular contracts. The futures contracts in which the Master Funds currently expect to invest are traded on the ICE, CBOT, LME, NYBOT or NYMEX. In addition, various data vendors and news publications publish futures prices and data. The futures quotes and last sale information for the commodities underlying the Indexes are also widely disseminated through a variety of market data vendors worldwide, including Bloomberg and Reuters. In addition, complete real-time data for such futures is available by subscription from Reuters and Bloomberg. The specific contract specifications for the futures contracts are also available from the futures exchanges on their websites as well as other financial informational sources.

There is no regulated source of last sale information regarding physical commodities. The Securities and Exchange Commission has no jurisdiction over the trading of physical commodities such as aluminum, gold, crude oil, heating oil, corn or wheat, nor does it have jurisdiction over trading of commodity futures contracts or options on commodity futures contracts.

### **Principal Risks**

IEX members are referred to the Trust's Registration Statement for a description of risks associated with an investment in the Shares of a Fund. Because the Shares are created to reflect the performance of the related Indexes, these risks include the risk that market price of the Shares will be subject to fluctuations similar to those affecting the futures contracts on the underlying commodities that comprise the relevant Index. Owners of the Shares will not have the protections normally associated with ownership of shares in an investment company registered under the Investment Company Act of 1940 but will have the protections afforded by the Commodity Exchange Act to investors in CFTC-regulated commodity pools. The Funds have perpetual durations unless terminated earlier in certain circumstances. If certain events occur, at any time, the Trustee will be required to terminate the affected Fund. In addition, as noted in the prospectus, Shares trade at market prices that may differ from NAV. The NAV of the Shares will fluctuate with changes in the market value of the Funds' assets. The trading prices of the Shares will fluctuate in accordance with changes in the NAV as well as market supply and demand. The amount of the discount or premium in the trading price relative to the NAV per Share may be influenced by non-concurrent trading hours between the major commodity futures markets and BATS. While the Shares will trade on IEX until 4:00 p.m. ET, liquidity in the market for the futures contracts on the underlying commodities comprising the related Index will be reduced after the close of the major commodity futures markets.

### **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.

### **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**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction in the Shares. Prospectuses may be obtained through the Distributor toll-free at 877.369.4617 or through the Funds' website at [www.dbcfund.db.com](http://www.dbcfund.db.com). 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 Securities and Exchange Commission ("SEC"). For further information about a Fund, please refer to its registration statement.

### **Relief From the Operation of CFTC Rules 4.21, 4.22 and 4.23**

The Commodity Futures Trading Commission's ("CFTC") Division of Clearing and Intermediary Oversight (the "CFTC Division") issued a letter dated July 12, 2006 (the "Relief Letter") granting exemptive relief to the Managing Owner from CFTC Rules 4.21, 4.22 and 4.23. Specifically, the CFTC Division exempted the

Managing Owner in connection with the operation of the Fund from: (1) the requirement of CFTC Rule 4.21(b) to obtain a signed acknowledgment of receipt of a disclosure document prior to accepting funds, securities or property from a prospective pool participant with respect to sales of Shares by Authorized Participants when Authorized Participants create additional Baskets, subsequent to the effectiveness of the registration statement; (2) the requirements of CFTC Rule 4.22 to deliver monthly account statements to purchasers of Shares; and (3) the requirement of CFTC Rule 4.23 to keep required books and records at the Managing Owner's main business office to the extent that such books and records are maintained at the offices of the Trustee or Distributor. The exemption from CFTC Rule 4.21(b) is expressly conditioned on the information required in the disclosure document being maintained and kept current on websites of the Fund, Managing Owner, Amex and the SEC.

For further information regarding these exemptions, members and member organizations are referred



to the full text of the Relief Letter and the Fund's registration statement.

### **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 Shares.

#### **Regulation M Exemptions**

The Funds are exempted under paragraph (d) 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 Funds are also exempted under paragraph (d) of Rule 101 to permit the Index Sponsor, DB London, to publish research during the applicable restricted period on the Fund's website. The No- Action Letter also exempted the Fund under paragraph (e) of Rule 102, permitting the Fund and its affiliated purchasers to redeem Shares in Baskets during the continuous offering of Shares.

#### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

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 other than the Distributor 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.

The exemptions from Rule 10a-1 and Rules 101 and 102 of Regulation M and no-action positions taken under Section 11(d)1 and Rule 11d1-2 are subject to the condition that such transactions in Shares or any related securities are not made for the purpose of creating actual, or apparent, active trading in or raising or otherwise affecting the price of such securities.

**This Regulatory Information Circular is not a statutory prospectus. Members should visit the Funds' website consult the prospectus for relevant information regarding the Fund.**

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