



## Investors Exchange Product Information Circular 2016 - 0985

**Date:** September 15, 2016

**Re:** PowerShares ETFs

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.

<b><u>Exchange-Traded Fund</u></b>	<b><u>Symbol</u></b>
PowerShares Dynamic Large Cap Portfolio	PJF
PowerShares Dynamic Mid Cap Portfolio	PJG
PowerShares Dynamic Small Cap Portfolio	PJM
PowerShares Financial Preferred Portfolio	PGF
PowerShares Value Line Industry Rotation Portfolio	PYH

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 (No. 333-102228) for the Trust, the Trust is a open-end management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act”), and currently consists of the Funds. Each Fund is an investment company and an exchange-traded “index fund.”

The Funds seek to provide investment results that correspond generally to the price and yield (before the Fund’s fees and expenses) of the Underlying Indices. Each Fund will normally invest at least 90% of its total assets in common stocks that comprise each underlying index.

PowerShares Capital Management LLC (“Adviser”) serves as investment adviser and portfolio manager of the Fund. As of September 18, 2006, PowerShares became a wholly-owned subsidiary of AMVESCAP PLC. AIM Distributors, Inc. is the principal underwriter and distributor of the Funds’ shares (the “Distributor”).

As described more fully in the Trust’s prospectus (“Prospectus”) and Statement of Additional Information (“SAI”), the Funds will issue and redeem shares on a continuous basis at their net asset value (“NAV”)



only in large blocks of 100,000 Shares (each, a “Creation Unit”). Creation Units will be issued and redeemed principally in-kind for securities included in the underlying index. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

The Funds earn dividends, interest, and other income from its investments and distributes this income (less expenses or losses) to shareholders as dividends. The Fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The Funds normally pay dividends, if any, on a quarterly basis. Capital gain distributions are paid annually.

The Depository Trust Company (“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.

The Bank of New York Company, Inc. calculates each Funds NAV. The NAV will be determined as of the close of trading (normally, 4:00 p.m. Eastern Standard Time (“ET”)) on each day that the New York Stock Exchange is open for business (a “Business Day”). The NAV per Share of each Fund is calculated 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 of the Fund outstanding, rounded to the nearest cent. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. In computing each Fund’s NAV, a Fund’s securities holdings traded on a national securities exchange are valued based on their last sale price. NAV will be available from the Distributor and will also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Trusts registration statement describes the various fees and expenses for the Fund’s shares.

For a more complete description of the Funds and the underlying indexes, visit [www.powershares.com](http://www.powershares.com).

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

IEX Members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trusts’ prospectus and Statement of Additional Information, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

### **Principal Risks**

Interested persons are referred to discussion in the Trusts’ prospectus of 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 the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), stock market risk, investment style risk, interest rate risk, investment approach risk, concentration risk, non-diversification risk, issuer-specific risk, management risk, lack of market liquidity, lack of governmental insurance or guarantee, and fiscal policy 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.

### **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**

Consistent with the requirements of the Securities Act and the rules thereunder, investors purchasing Shares in the initial public offering and anyone purchasing Shares directly from the Fund (by delivery of the Cash Deposit Amount) must receive a prospectus. In addition, IEX Members are required to deliver a prospectus to all purchasers of newly-issued Shares (i.e. during the initial public offering). IEX Members purchasing shares from the Fund for resale to investors will deliver a prospectus to such investors.

Prospectuses may be obtained through the Fund's website at [www.powershares.com](http://www.powershares.com) or from the Distributor at 1-800-983-0903. The prospectus does not contain all of the information set forth in the 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 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, 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 IEX Member carrying an omnibus account for a non-IEX Member is required to inform such non-IEX Member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-IEX Member to make such written description available to its customers on the same terms as are directly applicable to IEX Members under this rule.

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

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

The Securities and Exchange Commission (“SEC”) has issued letters dated August 17, 2001 and January 3, 2005 (“No-Action Letters”) granting exemptive or no-action relief from certain rules under the Securities Exchange Act of 1934 for all exchange-traded funds trading on any registered national securities exchange and meeting certain criteria. The Funds qualify for the relief granted in the No-Action Letters.

### **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 Funds 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 Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund shares and to (ii) tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund shares to the Funds for redemption does not constitute a bid for or purchase of any of the Funds’ 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.

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

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 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).

#### **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 Funds to (1) 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:

- (i) 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
- (ii) 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
- (iii) such bids or purchases are not effected for the purpose of facilitating such tender offer.

#### **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 Funds 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 ETF to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 21, 2005 from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee. The Commission has also taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat shares of the Funds, 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 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.

**This Information Bulletin is not a statutory prospectus. IEX Members should consult the Trusts' Registration Statement (No. 333-102228), the prospectus and the Funds website at [www.powershares.com](http://www.powershares.com) for relevant information.**

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