

Investing Fund in an amount at least equal to any compensation (including fees received pursuant to any plan adopted by a Fund under rule 12b-1 under the Act) received from a Fund by the Investing Fund Advisor, or Trustee or Sponsor, or an affiliated person of the Investing Fund Advisor, or Trustee or Sponsor, other than any advisory fees paid to the Investing Fund Advisor, or Trustee, or Sponsor, or its affiliated person by the Fund, in connection with the investment by the Investing Fund in the Fund. Any Investing Fund Sub-Advisor will waive fees otherwise payable to the Investing Fund Sub-Advisor, directly or indirectly, by the Investing Management Company in an amount at least equal to any compensation received from a Fund by the Investing Fund Sub-Advisor, or an affiliated person of the Investing Fund Sub-Advisor, other than any advisory fees paid to the Investing Fund Sub-Advisor or its affiliated person by the Fund, in connection with the investment by the Investing Management Company in the Fund made at the direction of the Investing Fund Sub-Advisor. In the event that the Investing Fund Sub-Advisor waives fees, the benefit of the waiver will be passed through to the Investing Management Company.

6. No Investing Fund or Investing Fund Affiliate (except to the extent it is acting in its capacity as an investment adviser to a Fund) will cause a Fund to purchase a security in an Affiliated Underwriting.

7. The Board of a Fund, including a majority of the independent directors or trustees, will adopt procedures reasonably designed to monitor any purchases of securities by the Fund in an Affiliated Underwriting, once an investment by an Investing Fund in the securities of the Fund exceeds the limit of section 12(d)(1)(A)(i) of the Act, including any purchases made directly from an Underwriting Affiliate. The Board will review these purchases periodically, but no less frequently than annually, to determine whether the purchases were influenced by the investment by the Investing Fund in the Fund. The Board will consider, among other things: (i) Whether the purchases were consistent with the investment objectives and policies of the Fund; (ii) how the performance of securities purchased in an Affiliated Underwriting compares to the performance of comparable securities purchased during a comparable period of time in underwritings other than Affiliated Underwritings or to a benchmark such as a comparable market index; and (iii) whether the amount of securities

purchased by the Fund in Affiliated Underwritings and the amount purchased directly from an Underwriting Affiliate have changed significantly from prior years. The Board will take any appropriate actions based on its review, including, if appropriate, the institution of procedures designed to assure that purchases of securities in Affiliated Underwritings are in the best interest of shareholders of the Fund.

8. Each Fund will maintain and preserve permanently in an easily accessible place a written copy of the procedures described in the preceding condition, and any modifications to such procedures, and will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any purchase in an Affiliated Underwriting occurred, the first two years in an easily accessible place, a written record of each purchase of securities in Affiliated Underwritings once an investment by an Investing Fund in the securities of the Fund exceeds the limit of section 12(d)(1)(A)(i) of the Act, setting forth from whom the securities were acquired, the identity of the underwriting syndicate's members, the terms of the purchase, and the information or materials upon which the Board's determinations were made.

9. Before investing in a Fund in excess of the limits in section 12(d)(1)(A), an Investing Fund will execute a FOF Participation Agreement with the Fund stating that their respective boards of directors or trustees and their investment advisers, or Trustee and Sponsor, as applicable, understand the terms and conditions of the order, and agree to fulfill their responsibilities under the order. At the time of its investment in Shares of a Fund in excess of the limit in section 12(d)(1)(A)(i), an Investing Fund will notify the Fund of the investment. At such time, the Investing Fund will also transmit to the Fund a list of the names of each Investing Fund Affiliate and Underwriting Affiliate. The Investing Fund will notify the Fund of any changes to the list as soon as reasonably practicable after a change occurs. The Fund and the Investing Fund will maintain and preserve a copy of the order, the FOF Participation Agreement, and the list with any updated information for the duration of the investment and for a period of not less than six years thereafter, the first two years in an easily accessible place.

10. Before approving any advisory contract under section 15 of the Act, the board of directors or trustees of each Investing Management Company,

including a majority of the independent directors or trustees, will find that the advisory fees charged under such contract are based on services provided that will be in addition to, rather than duplicative of, the services provided under the advisory contract(s) of any Fund in which the Investing Management Company may invest. These findings and their basis will be recorded fully in the minute books of the appropriate Investing Management Company.

11. Any sales charges and/or service fees charged with respect to shares of an Investing Fund will not exceed the limits applicable to a fund of funds as set forth in NASD Conduct Rule 2830.

12. No Fund relying on the section 12(d)(1) relief will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent permitted by exemptive relief from the Commission permitting the Fund to purchase shares of other investment companies for short-term cash management purposes.

For the Commission, by the Division of Investment Management, under delegated authority.

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-71519; File No. SR-ICEEU-2014-02]**

### **Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change Regarding New Permitted Cover**

February 11, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on February 11, 2014, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission") the proposed changes to the rules as described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. The Commission is publishing this notice to solicit comments on the proposed changes to the rules from interested persons.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The principal purpose of the change is to permit ICE Clear Europe Clearing Members to post additional categories of securities, including KfW Euro Benchmark Bonds ("KfWs") and European Investment Bank Euro Area Reference Notes ("EIBs", together with KfWs, the "New Permitted Cover") to ICE Clear Europe as permitted cover to meet initial margin, original margin and certain other margin requirements, including delivery margin requirements. The New Permitted Cover will not be accepted to satisfy variation margin requirements or guaranty fund requirements.

### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for proposing the New Permitted Cover. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of these statements.

#### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

The purpose of ICE Clear Europe accepting the New Permitted Cover is to provide its Clearing Members with a greater range of high-quality collateral that can be posted to ICE Clear Europe to satisfy certain margin requirements.

ICE Clear Europe believes that the New Permitted Cover is of minimal credit risk comparable to that of other sovereign debt currently accepted by ICE Clear Europe as permitted cover for margin obligations. ICE Clear Europe further believes that the New Permitted Cover has demonstrated low volatility, including in stressed market conditions. Based on its analysis of the New Permitted Cover and its volatility and other characteristics, ICE Clear Europe has established initial valuation haircut levels for the New Permitted Cover, and will review and modify such haircuts from time to time in accordance with the Rules and procedures. In addition, each type of New Permitted Cover may only be used to satisfy margin requirements up to a specified concentration limit, which is subject to review and modification from time to time in accordance with the Rules and

procedures. The concentration limit applies on an aggregate basis across all product categories.

Specifically, KfWs and EIBs may only constitute up to 25% of a Clearing Member's total initial and original margin requirement, up to a maximum amount of EUR 30 million. The New Permitted Cover will be subject to a valuation haircut of three percent (3%), except that the New Permitted Cover with a maturity of more than eleven (11) years will be subject to a valuation haircut of five percent (5%).

Consistent with existing ICE Clear Europe haircut policies, an additional haircut will apply where New Permitted Cover is used to cover a margin requirement denominated in a different currency, to cover the exchange rate risk.

For the avoidance of doubt, the New Permitted Cover cannot be used to satisfy variation margin requirements because variation margin must be paid in cash in the currency of the contract. In addition, the New Permitted Cover will not be accepted in respect of guaranty fund requirements.

ICE Clear Europe has identified New Permitted Cover as types of assets that would be appropriate for Clearing Members to post in order to meet initial margin and original margin requirements. ICE Clear Europe believes that accepting the New Permitted Cover is consistent with the requirements of Section 17A of the Act<sup>3</sup> and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22,<sup>4</sup> and is consistent with the prompt and accurate clearance of and settlement of securities transactions, the safeguarding of securities and funds in the custody or control of ICE Clear Europe and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act in the same manner as other collateral accepted by ICE Clear Europe.<sup>5</sup> In addition, in ICE Clear Europe's view, acceptance of the New Permitted Cover will satisfy the financial resources requirements of Rule 17Ad-22. ICE Clear Europe has determined, through analysis of the credit risk, liquidity, market risk, volatility and other trading characteristics of the New Permitted Cover, that such assets are appropriate for use as permitted cover for Clearing Member's obligations under the Rules, subject to the haircuts and limits described above, consistent with the risk management of the clearing house.

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> 17 CFR 240.17Ad-22.

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

In particular, the New Permitted Cover is a stable collateral type that presents minimal credit risk and low volatility. In this regard, the New Permitted Cover is similar to the other categories of sovereign debt that ICE Clear Europe currently accepts as permitted cover. Pursuant to ICE Clear Europe Rule 502, haircuts will be reviewed by ICE Clear Europe periodically and ICE Clear Europe may modify the haircuts in its discretion as it determines to be appropriate. Use of New Permitted Cover will also be subject to concentration limits, as discussed above.

For the reasons noted above, ICE Clear Europe believes that the proposed rule change and the New Permitted Cover are consistent with the requirements of Section 17A of the Act and regulations thereunder applicable to it.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

ICE Clear Europe does not believe the proposed changes to the rules would have any impact, or impose any burden, on competition.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments relating to the proposed changes to the rules have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe. The New Permitted Cover has been approved by both the Futures & Options and CDS Risk Committees.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2014-02 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICEEU-2014-02. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's Web site at <https://www.theice.com/notices/Notices.shtml?regulatoryFilings>.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2014-02 and should be submitted on or before March 11, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71521; File No. SR-NASDAQ-2013-155]

**Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To List and Trade Shares of the AdvisorShares YieldPro ETF of AdvisorShares Trust**

February 11, 2014.

**I. Introduction**

On December 13, 2013, The NASDAQ Stock Market LLC ("Nasdaq" or the "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade the shares ("Shares") of the AdvisorShares YieldPro ETF (the "Fund") under Nasdaq Rule 5735. The proposed rule change was published for comment in the *Federal Register* on January 2, 2014.<sup>3</sup> The Commission received no comments on the proposal. On January 3, 2014, Nasdaq filed Amendment No. 1 to the proposal.<sup>4</sup> On January 31, 2014, Nasdaq filed Amendment No. 2 to the proposal.<sup>5</sup> The Commission is publishing this notice to solicit comments on Amendment Nos. 1 and 2 from interested persons and is approving the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

**II. Description of the Proposed Rule Change**

The Exchange proposes to list and trade Shares of the Fund under Nasdaq Rule 5735, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by AdvisorShares Trust

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 71193 (Dec. 26, 2013), 79 FR 0173 (Jan. 2, 2014) ("Notice").

<sup>4</sup> In Amendment No. 1, Nasdaq amended the proposed rule change to clarify that certain requirements, discussed in note 7 and accompanying text, *infra*, are applicable to the Sub-Adviser as well as the Adviser, and to clarify through the deletion of certain text that the Fund does not intend to invest in non-listed American Depositary Receipts ("ADRs"), swaps, or over-the-counter equity securities.

<sup>5</sup> In Amendment No. 2, Nasdaq amended the proposed rule change to remove inapplicable information regarding general limitations on investments in shares of investment companies.

("Trust"). The Trust is registered with the Commission as an investment company.<sup>6</sup> The Fund is a series of the Trust.

AdvisorShares Investments, LLC will be the investment adviser ("Adviser") to the Fund. The Elements Financial Group, LLC will be the investment sub-adviser ("Sub-Adviser") to the Fund. Foreside Fund Services, LLC ("Distributor") will be the principal underwriter and distributor of the Fund's Shares. The Bank of New York Mellon will act as the administrator, accounting agent, custodian and transfer agent to the Fund.

The Exchange represents that the Adviser and Sub-Adviser are neither a broker-dealer nor affiliated with a broker-dealer.<sup>7</sup> The Exchange also represents that the Shares will be subject to Nasdaq Rule 5735, which sets forth the initial and continued listing criteria applicable to Managed Fund Shares<sup>8</sup> and that for initial and continued listing, the Fund must be in compliance with Rule 10A-3 under the Act.<sup>9</sup> The Exchange has made the following additional representations and statements in describing the Fund and its investment strategy, including portfolio holdings and investment restrictions.

*Principal Investments*

According to the Exchange, the Fund's investment objective will be to provide current income and capital appreciation. The Fund will be an actively managed exchange traded fund ("ETF") that is a "fund of funds" seeking to achieve its investment objective by primarily investing in both long and short positions in other

<sup>6</sup> The Trust has filed a registration statement on Form N-1A ("Registration Statement") with the Commission. See Registration Statement on Form N-1A for the Trust, dated August 7, 2013 (File Nos. 333-157876 and 811-22110). In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 ("1940 Act"). See Investment Company Act Release No. 28822 (July 20, 2009) (File No. 812-13677).

<sup>7</sup> See Notice *supra* note 3, 79 FR at 0174, and Amendment No. 1, *supra* note 4. The Exchange states in the event (a) the Adviser or Sub-Adviser becomes, or becomes newly affiliated with a broker-dealer, or registers as a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel and/or such broker-dealer affiliate, if applicable, regarding access to information concerning the composition and changes to the portfolio and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio. See *id.*

<sup>8</sup> See Notice *supra* note 3 at 0177.

<sup>9</sup> See 17 CFR 240.10A-3. See also Notice, *supra* note 3 at 0177.

<sup>6</sup> 17 CFR 200.30-3(a)(12).