



**Information Circular 10-315**

Date: July 16, 2010  
To: ETP Holders  
From: James C. Yong  
Chief Regulatory Officer  
Re: CERTAIN DIREXION SHARES ETF TRUST PRODUCTS TO  
BEGIN TRADING ON NSX

Pursuant to Regulatory Circular 08-005, we are issuing this Information Circular to advise you that the following securities of the exchange-traded funds discussed herein (the "Funds") have been approved for trading on the National Stock Exchange, Inc. ("NSX" or the "Exchange") as UTP Derivative Securities products pursuant to NSX Rule 15.9:

<b>Security:</b> (the "Shares")	<b>Symbol:</b>
Direxion Daily Retail Bull 2X Shares	<b>RETL</b>
Direxion Daily Retail Bear 2X Shares	<b>RETS</b>
Direxion Daily Natural Gas Related Bull 2X Shares	<b>FCGL</b>
Direxion Daily Natural Gas Related Bear 2X Shares	<b>FCGS</b>

**Commencement of Trading:** July 19, 2010

**Issuer:** Direxion Shares ETF Trust

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

**Primary Listing Exchange:** NYSE Arca

**Primary Exchange Circular:** RB-10-87 (July 14, 2010)

**Issuer Registration Statement:** Nos. 333-150525 and 811-22201

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 or prospectuses available on the Issuer Website (the "Prospectus"), examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange (which as of the date hereof is set forth above as the "Primary Exchange Circular"). The Issuer Website, the Prospectus, the Issuer Registration Statement and the Primary Exchange Circular are hereafter collectively referred to as the "Issuer Disclosure Materials."

The Primary Exchange Circular cited above contains the following information:

### **Background Information on the Funds**

As more fully explained in the Registration Statement (No. 333-150525 and 811-22201) for the Trust, the Trust is a registered open-end management investment company currently consisting of separate investment series. The Funds are investment companies registered under the Investment Company Act of 1940 ("1940 Act"), and commonly referred to as "exchange-traded funds." The Trust currently consists of multiple separately managed series.

### **Direxion Daily Retail Bull 2X Shares**

The Fund seeks daily investment results, before fees and expenses, of 200% of the price performance of the Russell 1000® Retail Index ("Index"). The Index is an index comprised of companies that sell to consumers those discretionary products supplied by manufacturers. These companies include specialty retailers as well as diversified retailers such as department stores, discount stores, and superstores. The Index does not include retailers selling consumer staples, such as supermarkets, drugstores, and liquor stores. The Fund seeks daily leveraged investment results and does not seek to achieve its stated investment objective over a period of time greater than one day. Each of the Funds is different and much riskier than most exchange-traded funds.

### **Direxion Daily Retail Bear 2X Shares**

The Fund seeks daily investment results, before fees and expenses, of 200% of the inverse (or opposite) of the price performance of the Russell 1000® Retail Index ("Index"). The Fund seeks daily leveraged investment results and does not seek to achieve its stated investment objective over a period of time greater than one day.

### **Direxion Daily Natural Gas Related Bull 2X Shares**

The Fund seeks daily investment results, before fees and expenses, of 200% of the price performance of the ISE-Revere Natural Gas Index™ ("Index"). The Index is developed and owned by the International Securities Exchange, LLC ("ISE" or the "Index Provider"), in consultation with S&P®, which calculates and maintains the Index. The Index is designed to objectively identify and select those stocks from the universe of stocks of companies that are involved in the exploration and production of natural gas, screened by stock performance variables as well as statistical factors to optimize Index performance and ensure the Index has significant correlation to the price of natural gas. The Index is an equal-weighted index comprised of exchange-listed companies that derive a substantial portion of their revenues from the exploration and production of natural gas. The inception date of the Index was October 4, 2006. As of March 31, 2010, there were 30 stocks that comprised the Index. The Fund seeks daily leveraged investment results and does not seek to achieve its stated investment objective over a period of time greater than one day.

### **Direxion Daily Natural Gas Related Bear 2X Shares**

The Fund seeks daily investment results, before fees and expenses, of 200% of the

inverse (or opposite) of the price performance of the ISE-Revere Natural Gas Index™ (“Index”). The Fund seeks daily leveraged investment results and does not seek to achieve its stated investment objective over a period of time greater than one day.

Rafferty Asset Management LLC serves as the investment adviser to the Funds. Foreside Fund Services, LLC (the “Distributor”) is the distributor for the Funds. Bank of New York Mellon is the custodian, administrator, transfer agent and fund accounting agent for the Funds.

As described more fully in the Trust’s Prospectus and Statement of Additional Information (“SAI”), each Fund issues and redeems shares at their net asset value (“NAV”) only in large blocks of 50,000 Shares (each block of 50,000 Shares called a “Creation Unit”).

Each Fund pays out dividends from its net investment income, and distributes any net capital gains, to its shareholders at least annually. Each Fund may realize net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss) and thus anticipates annual distributions thereof. The Trustees may revise this dividend policy, or postpone the payment of dividends, if a Fund has or anticipates any large unexpected expense, loss or fluctuation in net assets that, in the Trustees’ opinion, might have a significant adverse effect on its shareholders. 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.

Each Fund’s NAV is determined shortly after 4:00 p.m. Eastern time (“ET”) on each day that the New York Stock Exchange (“NYSE”) is open for business (a “Business Day”). The NAV is available from the Trust and the Exchange and is also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Trust’s registration statement describes the various fees and expenses for the Funds’ shares. For a more complete description of the Funds and the Indexes, visit [www.direxionshares.com](http://www.direxionshares.com).

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

ETP Holders are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust’s Prospectus and SAI and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof. As described in the Prospectus, Creation Units of the Bull Funds are issued following deposit with the Fund of a basket of securities and/or cash. Redemption proceeds will be paid either in cash or in-kind with a basket of securities. Creation Units of the Bear Funds are purchased and redeemed for cash.

### **Principal Risks**

Interested persons are referred to the Trust’s Prospectus for a description of risks associated with an investment in the Shares. These risks include, but are not limited to, market risk, leverage risk, the risk that each Fund’s investment strategy may subject such Fund to greater changes to the value of portfolio holdings and imperfect correlation to the relevant Underlying Index. Each Fund may also not correlate to the relevant Underlying Index for a

number of reasons including the incursion by the Fund of operating expenses and costs associated with the use of leveraged investment techniques. Over time, the cumulative percentage increase or decrease in the NAV of a Fund may diverge significantly from the cumulative percentage increase or decrease in the multiple return of the Underlying Index due to the compounding effect of losses and gains on the returns of a Fund. In addition, as noted in the Prospectus, the Shares trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings while the market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

The Direxion Daily Retail Bull and Bear Funds and the Direxion Daily Natural Gas Related Bull and Bear Funds seek a 200% or -200% return, respectively, of an index for a single day. Due to the compounding of daily returns, returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. Investors should monitor their holdings consistent with their strategies, as frequently as daily. The Funds' prospectus describing correlation, leverage and other risks is available at [www.direxionfunds.com](http://www.direxionfunds.com).

### **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 a Fund (by delivery of the designated securities) must receive a Prospectus. In addition, ETP Holders are required to deliver a Prospectus to all purchasers of newly-issued Shares (i.e. during the initial public offering). ETP Holders purchasing shares from a Fund for resale to investors will deliver a Prospectus to such investors.

Prospectuses may be obtained through the Funds' website. 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 Commission. For further information about a Fund, please refer to the Registration Statement.

Upon request of a customer, ETP Holders shall also provide a copy of the Prospectus.

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

The Commission has issued letters dated October 30, 2008 and December 15, 2008, ("No-Action Letters") granting exemptive or no-action relief from certain rules under the Securities Exchange Act of 1934 applicable to the Funds. ETP Holders are referred to the full text of the letters, available at [www.sec.gov](http://www.sec.gov) for additional information.

**BECAUSE WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTER(S) REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTER(S) FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN THE SHARES. 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 No-Action Letters confirm that the Trust is excepted under paragraph (c)(4) of Rule 101 of Regulation M with respect to the Bull Funds, thus permitting persons who may be deemed to be participating in a distribution of Shares of the Bear Funds to bid for or purchase such Shares during their participation in such distribution. The No-Action Letters also confirm the interpretation of Rule 101 of Regulation M that a redemption of Creation Unit size aggregations of Shares of the Bull Funds and the receipt of Redemption Securities in exchange therefor by a participant in a distribution of Shares of the Bull Funds would not constitute an "attempt to induce any person to bid for or purchase a covered security, during the applicable restricted period" within the meaning of Regulation M, and therefore would not violate Regulation M. The No-Action Letters confirm that the Trust is excepted under paragraph (d)(4) of Rule 102 of Regulation M with respect to the Bull Funds, thus permitting the Bull Funds to redeem Shares of the Bull Funds during the continuous offering of such Shares.

## **SEC Rule 14e-5**

The No Action Letters grant an exemption from Rule 14e-5 to permit any person acting as dealer-manager of a tender offer for an Equity Security to: (1) redeem Shares of the Bull Funds in Creation Unit size aggregations to the Trust for a redemption basket that may include a security subject to the tender offer; and (2) purchase Shares of the Bull Funds during such offer.

## **Rule 10b-17**

Rule 10b-17, with certain exceptions, requires an issuer of a class of publicly traded securities to give notice of certain specified actions (for example, a dividend distribution, stock split, or rights offering) relating to such class of securities in accordance with Rule 10b-17(b). The No-Action Letters grant an exemption from the requirements of Rule 10b-17 to the Trust with respect to transactions in the Shares.

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

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Shares are also a UTP Derivative Securities product as specified in NSX Rule 15.9, and as such are subject to the additional provisions specific to that NSX Rule. In particular, ETP Holders are reminded of their obligations under the following NSX Rules:

1. **Trading Hours:** This product will trade during the regular trading hours of the Exchange (between 9:30 am to 4:00 pm ET), during pre-market hours (8:00 am to 9:29:59 am ET) and during post-market hours (4:00:01 pm to 6:30 pm ET). Please note that trading in the

Shares during the Exchange's pre-market and post-market hours may result in additional trading risks which include: (1) lower liquidity in the Opening or Late Trading Sessions may impact pricing, (2) higher volatility in the Opening or Late Trading Sessions may impact pricing, (3) wider spreads may occur in the Opening or Late Trading Sessions. The minimum trading increment is \$.01.

2. Recommendations To Customers: NSX Rule 3.7 provides that the ETP Holder shall use due diligence to learn the essential facts relative to every customer prior to trading the Shares or recommending a transaction in the Shares that an investment in the Shares is suitable for the customer.

3. Product Description: In the event that a Fund relies upon an order by the Securities and Exchange Commission exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and makes available a written product description, NSX Rule 15.9B(3)(c) requires that ETP Holders shall provide all purchasers of a series of exchange-traded funds ("ETFs") a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, the ETP Holders shall include a written description with any sales material relating to a series of ETFs that is provided to customers or the public. Any other written materials provided by an ETP Holder to customers or the public making specific reference to the series of ETFs as an investment vehicle must include a statement substantially in the following form:

"A circular describing the terms and characteristics of [*the series of ETFs*] 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 series of ETFs*]."

An ETP Holder carrying an omnibus account for a non-ETP Holder is required to inform such non-ETP Holder that execution of an order to purchase a series of ETFs for such omnibus account will be deemed to constitute an agreement by the non-ETP Holder to make such written description available to its customers on the same terms as are directly applicable to the ETP Holder under this Rule.

4. Customer Requests for a Prospectus: NSX Rule 15.9B(3)(d) provides that, upon request of a customer, an ETP Holder shall provide a prospectus for the particular series of UTP Derivative Securities.

5. Trading Halts: NSX Rule 15.9B(4) provides that, in addition to the Exchange's authority to suspend or halt trading under NSX Rules 11.20 (Trading Halts Due To Extraordinary Market Volatility), 12.11 (Trading Suspensions) and 15.7 (Suspension and/or Delisting By Exchange), if a temporary interruption occurs in the calculation or wide dissemination of the intraday indicative value (or similar value) or the value of the underlying index or instrument and the listing market halts trading in the product, the Exchange, upon notification by the listing market of such halt due to such temporary interruption, also shall immediately halt trading in that product on the Exchange. The Shares will be traded following a trading halt in accordance with Interpretations and Policy .03 of NSX Rule 11.20.

In addition, for a UTP Derivative Securities product where a net asset value is disseminated, if the primary listing exchange notifies the Exchange that the net asset value is not being disseminated to all market participants at the same time, the Exchange will immediately halt trading in such security. The Exchange may resume trading in the UTP Derivative Security only when the net asset value is disseminated to all market participants at the same time or trading in the UTP Derivative Security resumes on the listing market.

**THIS INFORMATION CIRCULAR IS NOT A STATUTORY PROSPECTUS. ETP HOLDERS SHOULD CONSULT THE ISSUER DISCLOSURE MATERIALS (AS DEFINED ABOVE) FOR ALL RELEVANT INFORMATION RESPECTING THE SHARES.**

Inquiries regarding this Information Circular should be directed to James C. Yong, Chief Regulatory Officer, at (312) 786-8893.