



EDGA Exchange, Inc. & EDGX Exchange, Inc.			
Regulatory Information Circular			
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**Subject: ProShares High Yield-Interest Rate Hedged ETF**

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

As more fully explained in the [Registration Statement](#) (Numbers 333-89822 and 811-21114) for ProShares Trust (the “Trust”), the Trust is registered under the Investment Company Act of 1940 as a management investment company that consists of separate exchange-traded funds (“ETFs”) including the fund listed above (the “Fund”). The shares of the Fund are referred to herein as “Shares.”

ProShare Advisors LLC serves as the advisor of the Fund (the “Advisor”). J.P. Morgan Investor Services Co. serves as the administrator to the Funds. JPMorgan Chase Bank, N.A. serves as custodian to the Funds. SEI Investments Distribution Co. serves as the distributor of the Funds (“Distributor”).

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
HYHG	ProShares High Yield-Interest Rate Hedged ETF	74348A541

### **Description of the Fund**

The Fund seeks investment results, before fees and expenses that track the performance of the Citi High Yield (Treasury Rate-Hedged) Index (the “Index”).

In seeking to achieve the Fund’s investment objective, the Advisor uses a mathematical approach to investing. Using this approach, the Advisor determines the type, quantity and mix of investment positions that the Fund should hold to approximate the performance of the Index. The Fund employs various investment techniques that the Advisor believes should, in the aggregate, simulate the movement of the Index.

The investment techniques utilized to simulate the movement of the Index are intended to enhance liquidity, maintain a tax-efficient portfolio and reduce transaction costs while, at the same time, seeking to maintain high correlation with, and similar aggregate characteristics to, the Index. For example, the Fund may gain exposure to only a representative sample of the securities in the Index or may invest in securities not contained in the Index with the intent of obtaining exposure with aggregate characteristics similar to the Index, including the general credit profile of the Index. The Advisor does not invest the assets of the Fund in securities or

financial instruments based on the Advisor's view of the investment merit of a particular security, instrument, or company, other than for cash management purposes, nor does it conduct conventional research or analysis (other than in determining counterparty creditworthiness), or forecast market movement or trends, in managing the assets of the Fund. The Fund seeks to remain fully invested at all times in securities and/or financial instruments that the Advisor believes, in combination, should have similar return characteristics to the Index without regard to market conditions, trends, direction or the financial condition of a particular USD-denominated high yield corporate bond ("high yield bond") issuer. In seeking to match the general credit profile of the Index, the Advisor will rely solely on credit ratings provided by Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Financial Services, LLC ("S&P"). To the extent the Fund is overweight in a security that is perceived by the markets to have increased credit risk, the Fund's performance will be adversely affected. The Fund does not take temporary defensive positions.

Under normal circumstances, the Fund will invest at least 80% of its total assets in component securities (i.e., securities of the Index) and invest at least 80% of its total assets in high yield bonds. The Fund will invest in a combination of debt securities and derivatives that the Advisor believes should track the performance of the Index. Cash balances will typically be held in money market instruments.

- Debt Securities — The Fund will invest in debt securities, primarily high yield bonds, that are issued by corporate issuers that are rated below "investment-grade" by both Moody's and S&P. Credit rating agencies evaluate issuers and assign ratings based on their opinions of the issuer's ability to pay interest and principal as scheduled. Those issuers with a greater risk of default — not paying interest or principal in a timely manner — are rated below investment grade. Such debt securities may include Rule 144A securities, which generally are restricted securities that are only available to "qualified" investors.

- Derivatives — The Fund invests in derivatives, which are financial instruments whose value is derived from the value of an underlying asset (including exchange-traded funds ("ETFs")), interest rate or index. The Fund primarily invests in derivatives as a substitute for obtaining short exposure in U.S. Treasury notes or bonds ("Treasury Securities") but may also do so to a limited extent to obtain high yield bond exposure or for other purposes. These derivatives principally include:

- Futures Contracts — A standardized contract traded on, or subject to the rules of, an exchange that calls for the future delivery of a specified quantity and type of asset at a specified time and place or, alternatively, may call for cash settlement. The Fund will primarily utilize short futures contracts on Treasury Securities.

The Fund will issue and redeem Shares at NAV only in large blocks of 50,000 Shares (each block of Shares is called a "Creation Unit") or multiples thereof. 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 of the Fund will be determined as of the close of trading (normally, 4:00 p.m. Eastern Time (“ET”)) on each day that EDGA Exchange, Inc. and EDGX Exchange, Inc. (the “Exchanges”) are open for business. 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 Fund describes the various fees and expenses for the Fund’s Shares. For a more complete description of the Fund and the underlying index, visit the Fund’s website at [www.proshares.com](http://www.proshares.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 but are not limited to high yield risk, hedging risk, risks associated with the use of derivatives, correlation risk, debt instrument risk, credit risk, interest rate risk, long/short risk, restricted securities risk, counterparty risk, market price variance risk, short sale exposure risk, and trading risk.

Additional risks are described in the [Prospectus](#) for the Fund, available at [www.proshares.com](http://www.proshares.com).

### **Exchange 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.

### **Trading Hours**

Trading in the Shares on the Exchanges is on a UTP basis and is subject to the Exchanges’ equity trading rules. The Shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the Shares during the Extended Market Sessions (Preopening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value (“IIV”). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

The Exchanges will halt trading in the Shares of a Trust in accordance with Exchange

Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the Shares of a Trust if the primary market de-lists the Shares.

### **Suitability**

Trading in the Shares on the Exchanges will be subject to the provisions of Exchange Rules 3.7. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, Members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds Members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **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. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus. Prospectuses may be obtained through the Distributor or on the Fund’s 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 SEC. For further information about the Fund, please refer to the Trust’s registration statement.

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

The Commission has issued letters dated April 9, 2007, November 21, 2005 and August 21, 2001 (“each a No-Action Letter” and together with the “No-Action Letters”) granting exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 for exchange-traded funds listed and traded on a registered national securities exchange that meet certain criteria. Members are referred to the No-Action Letters, available at [www.sec.gov](http://www.sec.gov), for additional information.

### **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 Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a 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 Commission 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 Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which 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 Units 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**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of 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 has been issued under Rule 14e-5 states that 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, it must be 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.

### **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 a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(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 a 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 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 Regulatory Information Circular is not a statutory prospectus. Members should consult the Trust's [Registration Statement](#), [SAI](#), [Prospectus](#) and the Fund's [website](#) for relevant information.**