



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: ProShares UltraPro Financials  
ProShares UltraPro Short Financials**

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

As more fully explained in the [Registration Statement](#) (Nos. 333-89822; 811-21114) for the ProShares Trust (the “Trust”), the Trust is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and consists of multiple series, including the ProShares Short Euro (the “Fund”).

SEI Investments Distribution Co. is the distributor for the Funds (“Distributor”). ProShare Advisors serves as the investment advisor to the Funds (the “Advisor”). JPMorgan Chase Bank, N.A. acts as custodian to the Funds.

### **Description of the Funds**

#### *ProShares UltraPro Financials*

ProShares UltraPro Financials (the “Fund”) seeks daily investment results, before fees and expenses, that correspond to three times (3x) the daily performance of the Dow Jones U.S. Financials<sup>SM</sup> Index (the “Underlying Index”). The Fund seeks investment results for a single day only. A “single day” is measured from the time the Fund calculates its net asset value (“NAV”) to the time of the Fund’s next NAV calculation. The return of the Fund for periods longer than a single day will be the result of each day’s returns compounded over the period, which will very likely differ from three times (3x) the return of the Underlying Index for that period. For periods longer than a single day, the Fund will lose money if the Underlying Index performance is flat over time, and it is possible that the Fund will lose money over time even if the Underlying Index performance rises. Longer holding periods, higher index volatility and greater leverage each exacerbate the impact of compounding on a fund’s returns. During periods of higher index volatility, the volatility of the Underlying Index may affect the Fund’s return as much as or more than the return of the Underlying Index.

The Fund invests in equity securities and derivatives that the Advisor believes, in combination, should have similar daily return characteristics as three times (3x) the daily return of the Underlying Index. The Underlying Index measures the performance of the financial services sector of the U.S. equity market. Component companies include: among others,

regional banks; major U.S. domiciled international banks; full line, life, and property and casualty insurance companies; companies that invest, directly or indirectly in real estate; diversified financial companies such as Fannie Mae, credit card issuers, check cashing companies, mortgage lenders and investment advisors; securities brokers and dealers including investment banks, merchant banks and online brokers; and publicly traded stock exchanges. As of December 31, 2011, the Underlying Index included companies with capitalizations between \$560.1 million and \$138.3 billion. The average capitalization of the companies comprising the Underlying Index was approximately \$7.8 billion. The Underlying Index is published under the Bloomberg ticker symbol “DJUSFN.” Cash balances arising from the use of derivatives will typically be held in money market instruments. The Fund invests in equity securities, derivatives and money market instruments.

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 on a daily basis the performance of three times (3x) the Underlying Index. The Fund may hold or gain exposure to only a representative sample of the securities in the Underlying Index, which exposure is intended to have aggregate characteristics similar to those of the Underlying Index. The Advisor does not invest the assets of the Fund in securities or derivatives 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 derivatives that, in combination, provide leveraged exposure to the Underlying Index without regard to market conditions, trends or direction. The Fund seeks investment results for a single day only as calculated from NAV to NAV, not for longer periods.

At the close of the markets each trading day, the Fund will seek to position its portfolio so that its exposure to the Underlying Index is consistent with the Fund’s investment objective. The Underlying Index’s movements during the day will affect whether the Fund’s portfolio needs to be re-positioned. For example, if the Underlying Index has risen on a given day, net assets of the Fund should rise. As a result, the Fund’s exposure will need to be increased. Conversely, if the Underlying Index has fallen on a given day, net assets of the Fund should fall. As a result, the Fund’s exposure will need to be decreased. Because of daily rebalancing and the compounding of each day’s return over time, the return of the Fund for periods longer than a single day will be the result of each day’s returns compounded over the period, which will very likely differ from three times (3x) the return of the Underlying Index over the same period. A Fund will lose money if the Underlying Index performance is flat over time, and it is possible that the Fund will lose money over time even if the Underlying Index performance rises, as a result of daily rebalancing, the Underlying Index’s volatility and the effects of compounding.

### Principal Risks

Interested persons are referred to the prospectus (the “[Prospectus](#)”) for a description of risks associated with an investment in the Shares. These risks include: risks associated with the use of derivatives, leverage risk, compounding risk, correlation risk, counterparty risk, early

close/late close/trading halt risk, equity and market risk, financial services industry risk, intraday price performance risk, liquidity risk, market price variance risk, non-diversification risk, and portfolio turnover risk.

In addition, as noted in the Prospectus, the Shares may 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. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

### *ProShares UltraPro Short Financials*

ProShares UltraPro Short Financials (the "Fund") seeks daily investment results, before fees and expenses, that correspond to three times the inverse (-3x) of the daily performance of the Dow Jones U.S. Financials<sup>SM</sup> Index (the "Underlying Index"). The Fund seeks investment results for a single day only. A "single day" is measured from the time the Fund calculates its NAV to the time of the Fund's next NAV calculation. The return of the Fund for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from three times the inverse (-3x) of the return of the Underlying Index for that period. For periods longer than a single day, the Fund will lose money if the Underlying Index performance is flat over time, and it is possible that the Fund will lose money over time even if the Underlying Index performance falls. Longer holding periods, higher index volatility, inverse multiples and greater leverage each exacerbate the impact of compounding on a fund's returns. During periods of higher index volatility, the volatility of the Underlying Index may affect the Fund's return as much as or more than the return of the Underlying Index.

The Underlying Index measures the performance of the financial services sector of the U.S. equity market. Component companies include: among others, regional banks; major U.S. domiciled international banks; full line, life, and property and casualty insurance companies; companies that invest, directly or indirectly in real estate; diversified financial companies such as Fannie Mae, credit card issuers, check cashing companies, mortgage lenders and investment advisors; securities brokers and dealers including investment banks, merchant banks and online brokers; and publicly traded stock exchanges. As of December 31, 2011, the Underlying Index included companies with capitalizations between \$560.1 million and \$138.3 billion. The average capitalization of the companies comprising the Underlying Index was approximately \$7.8 billion. The Underlying Index is published under the Bloomberg ticker symbol "DJUSFN." Cash balances arising from the use of derivatives will typically be held in money market instruments. The Fund invests in derivatives and money market instruments.

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 on a daily basis the performance of three times the inverse (-3x) of the Underlying Index. The Fund may gain inverse exposure to only a representative sample of the securities in the Underlying Index, which are intended to have aggregate characteristics similar to those of a multiple of the inverse of the Underlying Index. The Advisor does not invest the assets of the Fund in securities or derivatives 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 derivatives that, in combination, provide inverse leveraged exposure to the Underlying Index without regard to market conditions, trends or direction. The Fund seeks investment results for a single day only as calculated from NAV to NAV, not for longer periods.

At the close of the markets each trading day, the Fund will seek to position its portfolio so that its exposure to the Underlying Index is consistent with the Fund's investment objective. The Underlying Index's movements during the day will affect whether the Fund's portfolio needs to be re-positioned. For example, if the Underlying Index has risen on a given day, net assets of the Fund should fall. As a result, the Fund's inverse exposure will need to be decreased. Conversely, if the Underlying Index has fallen on a given day, net assets of the Fund should rise. As a result, the Fund's inverse exposure will need to be increased. Because of daily rebalancing and the compounding of each day's return over time, the return of the Fund for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from three times the inverse (-3x) of the return of the Underlying Index over the same period. A Fund will lose money if the Underlying Index performance is flat over time, and it is possible that the Fund will lose money over time even if the Underlying Index performance falls, as a result of daily rebalancing, the Underlying Index's volatility and the effects of compounding.

### Principal Risks

Interested persons are referred to the prospectus (the "[Prospectus](#)") for a description of risks associated with an investment in the Shares. These risks include: risks associated with the use of derivatives, leverage risk, compounding risk, correlation risk, counterparty risk, early close/late close/trading halt risk, equity and market risk, financial services industry risk, intraday price performance risk, liquidity risk, market price variance risk, non-diversification risk, portfolio turnover risk and short sale exposure risk.

In addition, as noted in the Prospectus, the Shares may 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. 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 Funds will issue and redeem shares only to Authorized Participants (typically broker-dealers) in exchange for the deposit or delivery of a basket of assets (securities and/or cash) in large blocks, known as Creation Units, each of which is comprised of 50,000 shares. Retail investors may only purchase and sell shares on a national securities exchange through a broker-dealer. Because the shares trade at market prices rather than net asset value, shares may trade at a price greater than NAV (premium) or less than NAV (discount).

The Depository Trust Company ("DTC") will serve 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 NAV per Share of the Funds 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 (a “Business Day”). NAV will be available from the Distributor and is also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Funds’ [Registration Statement](#) describes the various fees and expenses for the Funds’ Shares. For a more complete description of the Funds, visit [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 (Pre-opening 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 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 if the primary market de-lists the shares.

### **Suitability**

Trading in the shares on the Exchanges will be subject to the provisions of EDGA and EDGX 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 Funds (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on 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 SEC. For further information about the Funds, please refer to the Trust's [registration statement](#).

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

The Commission has issued a letter dated January 24, 2007 (the "No- Action Letter") granting exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 for the ProShares Trust. In addition the Commission has issued letters dated October 24, 2006, November 21, 2005 and August 17, 2001 (together, with the January 24, 2007 Letter, 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 should refer 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 relating 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 Commission 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 a 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 (now FINRA) Rule 2830 (D)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act now states 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 Commission has issued a No-Action letter 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 Regulatory Information Circular is not a statutory Prospectus. Members should consult the Funds' [Registration Statement](#), SAIs, Prospectuses and [website](#) for relevant information.**



## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
FINU	ProShares UltraPro Financials	74348A582
FINZ	ProShares UltraPro Short Financials	74348A574