



EDGA EXCHANGE, INC. & EDGX EXCHANGE, INC.			
Regulatory Information Circular			
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**Subject: PureFunds ISE Diamond/Gemstone ETF
PureFunds ISE Mining Service ETF
PureFunds ISE Junior Silver (Small Cap Miners/Explorers) ETF**

Background Information on the Funds

As more fully explained in the [Registration Statement](#) (File Nos. 333-182274 and 811-22310), FactorShares Trust (the “Trust”) is a management investment company registered under the Investment Company Act of 1940, consisting of separate exchange-traded funds (each, a “Fund” and collectively, the “Funds”) including the Funds listed below. The shares of the Funds are referred to herein as “Shares.”

Factor Advisors, LLC serves as the investment adviser (“Adviser”) and Esposito Partners, LLC serves as the sub-adviser to the Funds. Quasar Distributors, LLC serves as Distributor for the Funds. The Trust and U.S. Bancorp Fund Services, LLC acts as administrator for the Funds. U.S. Bank National Association acts as the custodian for the Funds. U.S. Bancorp Fund Services, LLC acts as the transfer agent for the Funds.

Ticker	Fund Name	CUSIP
GEMS	PureFunds ISE Diamond/Gemstone ETF	30304R100
MSXX	PureFunds ISE Mining Service ETF	30304R209
SILJ	PureFunds ISE Junior Silver (Small Cap Miners/Explorers) ETF	30304R308

Description of the Funds

PureFunds ISE Diamond/Gemstone ETF

PureFunds ISE Diamond/Gemstone ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the ISE Diamond/Gemstone™ Index (the “Underlying Index”).

The Underlying Index tracks the performance of the largest and most liquid companies that are actively engaged in some aspect of the gemstone industry, including companies that produce, explore, and sell gemstones. As of November 8, 2012, the Underlying Index had 23 constituents, 20 of which were foreign companies. The three largest stocks were Signet Jewelers

Ltd., Chow Tai Fook Jewellery Group Ltd., and BHP Billiton Ltd. As of November 8, 2012, the largest-weighted constituent security in the Underlying Index represented 8.66 % of the Index. The Fund's investment objective and Underlying Index may be changed without shareholder approval.

Principal Risk

Interested persons are referred to the [Prospectus](#) for a description of risks associated with an investment in the Shares. These risks include Foreign Investment Risk; Currency Risk; Depositary Receipts Risk; Emerging Markets Securities Risk; Foreign Market and Trading Risk; Foreign Securities Risk; Political and Economic Risk; Privatization Risk; Gemstone Industry Concentration Risk; Geographic Risk; Africa-Specific Risk; Hong Kong-Specific Risk; Large-Capitalization Risk; Market Risk; Market Trading Risk; Trading Issues; Fluctuation of NAV; Costs of Buying or Selling Shares; Non-Diversification Risk; Passive Investment Risk; Reliance on Trading Partners Risk; Small- and Mid-Capitalization Risk; Tax Risk; Tracking Error Risk; and Valuation Risk. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV and therefore Shares may trade at prices greater than NAV (at a premium), at NAV, or less than NAV (at a discount). 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.

PureFunds ISE Mining Service ETF

The Fund seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the ISE Mining Service™ Index (the "Underlying Index").

The Underlying Index tracks the performance of the largest and most liquid companies that are actively engaged in facilitating the operations of the mining services industry as a whole, from companies that manufacture, lease, sell and provide equipment to companies that provide consulting or other services to the industry, as well as companies that actually engage in exploration and extraction. As of November 8, 2012, the Underlying Index had 31 constituents, 28 of which were foreign companies. The three largest stocks were China Coal Energy Company Ltd. H Shares, Atlas Copco AB A and Joy Global Inc. As of November 8, 2012, the largest-weighted constituent security in the Underlying Index represented 8.85 % of the Index. The Fund's investment objective and Underlying Index may be changed without shareholder approval.

Principal Risks

Interested persons are referred to the [Prospectus](#) for a description of risks associated with an investment in the Shares. These risks include Foreign Investment Risk; Currency Risk; Depositary Receipts Risk; Emerging Markets Securities Risk; Foreign Market and Trading Risk; Foreign Securities Risk; Political and Economic Risk; Privatization Risk; Geographic Risk; Australia-Specific Risk; Canada-Specific Risk; Large-Capitalization Risk; Market Risk; Market Trading Risk; Trading Issues; Fluctuation of NAV; Costs of Buying or Selling Shares; Mining Industry Concentration Risk; Non-Diversification Risk; Passive Investment Risk; Reliance on

Trading Partners Risk; Small- and Mid-Capitalization Risk; Tax Risk; Tracking Error Risk; and Valuation Risk. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV and therefore Shares may trade at prices greater than NAV (at a premium), at NAV, or less than NAV (at a discount). 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.

PureFunds ISE Junior Silver (Small Cap Miners/Explorers) ETF

The Fund seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the ISE Junior Silver (Small Cap Miners/Explorers)TM Index (the "Underlying Index").

The Underlying Index tracks the performance of small-capitalization companies actively engaged in some aspect of the silver industry, including companies that mine, explore or refine silver. "Junior" is a common term used in Canada in reference to small capitalization exploration companies that generally have no mining operations. As of November 8, 2012, the Underlying Index had 26 constituents, 24 of which were foreign companies. The three largest stocks were Endeavour Silver Corp., Fortuna Silver Mines Inc. and McEwen Mining Inc. As of November 8, 2012, the largest-weighted constituent security in the Underlying Index represented 11.01% of the Index. The Fund's investment objective and Underlying Index may be changed without shareholder approval.

Principal Risks

Interested persons are referred to the [Prospectus](#) for a description of risks associated with an investment in the Shares. These risks include Foreign Investment Risk; Currency Risk; Depositary Receipts Risk; Emerging Markets Securities Risk; Foreign Market and Trading Risk; Foreign Securities Risk; Political and Economic Risk; Privatization Risk; Geographic Risk; Canada-Specific Risk; Silver Exploration and Production Industry Concentration Risk; Market Risk; Market Trading Risk; Trading Issues; Fluctuation of NAV; Costs of Buying or Selling Shares; Non-Diversification Risk; Passive Investment Risk; Reliance on Trading Partners Risk; Small-Capitalization Risk; Tax Risk; Tracking Error Risk; and Valuation Risk. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV and therefore Shares may trade at prices greater than NAV (at a premium), at NAV, or less than NAV (at a discount). 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' Adviser will use a "passive" or indexing approach to try to achieve each of the Funds' investment objectives. Unlike many investment companies, the Funds do not try to "beat" their Underlying Indexes and do not seek temporary defensive positions when markets decline or appear overvalued.

Each Fund will use a replication strategy. A replication strategy is an indexing strategy that involves investing in the securities of the Funds' Underlying Indexes in approximately the

same proportions as in each of the Underlying Indexes. However, each Fund may utilize a representative sampling strategy with respect to their Underlying Indexes when a replication strategy might be detrimental to shareholders, such as when there are practical difficulties or substantial costs involved in compiling a portfolio of equity securities to follow each of the Funds' Underlying Indexes, in instances in which a security in their Underlying Indexes become temporarily illiquid, unavailable or less liquid, or as a result of legal restrictions or limitations (such as tax diversification requirements) that apply to each Fund but not their Underlying Indexes.

The Underlying Indexes are sponsored by International Securities Exchange, LLC (the "Index Provider") that is independent of the Fund and the Adviser. The Index Provider determines the relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.

Each Fund will invest at least 80% of its total assets in the securities of the Underlying Index and in American Depositary Receipts and Global Depositary Receipts based on the securities in the Underlying Index. Each Fund may invest up to 20% of its total assets in securities that are not in the Funds' Underlying Indexes to the extent that the Adviser believes such investments should help the Funds' overall portfolio track the Underlying Index.

As described more fully in the Trust's [Prospectus](#) and [Statement of Additional Information](#) ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares 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.

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 for the Funds is computed 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 outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. 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 (a "Business Day"). 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 Trust's [registration statement](#) describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds, the Shares and the Indexes, visit www.PureETFs.com.

Exchange Rules Applicable to Trading in the Shares

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchanges' 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, 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(1)(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.