



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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**Subject: Direxion Large Cap Insider Sentiment Shares ETF  
Direxion All Cap Insider Sentiment Shares ETF**

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

The Direxion Shares ETF Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Trust consists of several exchange-traded funds (each, a "Fund" and collectively, the "Funds"). This circular refers only to the Funds listed above. The shares of each of the Funds listed above are referred to herein as "Shares." Rafferty Asset Management, LLC (the "Adviser") is the investment adviser for the Funds.

### **Description of the Funds**

#### *Direxion Large Cap Insider Sentiment Shares ETF*

The Direxion Large Cap Insider Sentiment Shares ("INSD") seeks investment results, before fees and expenses, that track the Sabrient Large-Cap Insider/Analyst Quant-Weighted Index (the "Large Cap Index").

The Large Cap Index is composed of 100 stocks selected from the S&P 500 by Sabrient Systems LLC (the "Index Provider") using a quantitative methodology. Starting with an eligible universe of all 500 large capitalization domestic equity stocks in the S&P 500, the Index Provider first eliminates stocks of companies with very aggressive accounting, as identified by the Index Provider's proprietary forensics accounting methodology. From the remaining stocks, the Index Provider further eliminates all but 200 stocks using a screening methodology that is based on an analysis of public company filings relating to frequency of trades, purchases of stock and increases in holdings by a company's insiders, as well as positive earnings analysis. Through that same methodology, the remaining 200 stocks are ranked and the top 100 stocks are selected to make up the Large Cap Index. The Large Cap Index is "quant-weighted," meaning the top 50 stocks are weighted exponentially, with the top stock representing 2.6% of the Large Cap Index, while the bottom 50 stocks are equal-weighted, with each representing 0.35% of the Large Cap Index. The bottom 50 stocks thereby account for 17.61% of the total Large Cap Index. The Large Cap Index rebalances monthly.

### *Direxion All Cap Insider Sentiment Shares ETF*

The Direxion All Cap Insider Sentiment Shares (“KNOW”) seeks investment results, before fees and expenses, that track the Sabrient Multi-Cap Insider/Analyst Quant-Weighted Index (the “All Cap Index”).

The All Cap Index is composed of 100 stocks selected from the S&P 1500 by the Index Provider using a quantitative methodology. The S&P 1500 is a composite index of the S&P 500, S&P 400 and S&P 600, which are composed of stocks representing the large capitalization, mid capitalization and small capitalization segments of the U.S. equity market, respectively. Starting with an eligible universe of all 1500 stocks in the S&P 1500, the Index Provider first eliminates stocks of companies with very aggressive accounting, as identified by the Index Provider’s proprietary forensics accounting methodology. From the remaining stocks, the Index Provider further eliminates all but 200 stocks using a screening methodology that is based on an analysis of public company filings relating to frequency of trades, purchases of stock and increases in holdings by a company’s insiders, as well as positive earnings analysis. Through that same methodology, the remaining 200 stocks are ranked and the top 100 stocks are selected to make up the All Cap Index. The All Cap Index is “quant-weighted,” meaning the top 50 stocks are weighted exponentially, with the top stock representing 2.6% of the All Cap Index, while the bottom 50 stocks are equal-weighted, with each representing 0.35% of the All Cap Index. The bottom 50 stocks thereby account for 17.61% of the total All Cap Index. The All Cap Index rebalances monthly.

For more information regarding each Fund’s investment strategy, please read the prospectus for the Funds.

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.

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 for each Fund 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 of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or “ET”) of the New York Stock Exchange. 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 Funds describes the various fees and expenses for the Funds’ Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds’ website <http://www.direxionshares.com>.

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

Members 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 Funds are purchased and redeemed for cash.

## **Principal Risks**

Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector risk, investment approach risk, non-diversification risk, issuer-specific risk, management risk, concentration risk and derivatives risk.

## **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 EDGA and EDGX Exchanges (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 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 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 for the Funds. Members are referred to the full text of the 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 No-Action Letters confirm that the Trust is excepted under paragraph (c)(4) of Rule 101 of Regulation M with respect to the Funds, thus permitting persons who may be deemed to be participating in a distribution of shares of the 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 Funds and the receipt of Redemption Securities in exchange therefor by a participant in a distribution of shares of the 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 Funds, thus permitting the Funds to redeem shares of the 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 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 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.

**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.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
INSD	Direxion Large Cap Insider Sentiment Shares ETF	25459Y777
KNOW	Direxion All Cap Insider Sentiment Shares ETF	25459Y769