



## Information Circular 08-118

**Date:** November 3, 2008

**Re:** PowerShares Commodity Index Tracking Fund

BATS Exchange, Inc. ("BATS") commenced operating as a national securities exchange for trading non-BATS listed securities on October 24, 2008. As a result, in the near future PowerShares Commodity Index Tracking Fund (DBC) (the "Shares") will be traded by BATS as an exchange on an unlisted trading privileges (UTP) basis for the first time.

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

As more fully explained in the Registration Statement (No. 333-125325) for the DB Commodity Index Tracking Fund (the "Fund"), the Fund is designed to track the performance of the Deutsche Bank Liquid Commodity Index™–Excess Return (the "DBLCI" or Index). Each share of the Fund (the "Share" or "Shares") represents a fractional undivided beneficial interest in the net assets of the Fund.

The investment objective of the Fund is to reflect the performance of the DBLCI less the expenses of the operation of the Fund and the Master Fund. The Fund will pursue its investment objective by investing substantially all of its assets in the Master Fund. The assets of the Master Fund consist primarily of futures contracts on the commodities comprising the DBLCI as well as U.S. Treasury securities for margin purposes and other high credit quality short-term fixed income securities. Each Share will correlate with a Master Fund share issued by the Master Fund and held by the Fund. The Fund is not registered as an investment company under the Investment Company Act of 1940. Both the Fund and the Master Fund are commodity pools operated by DB Commodity Services LLC (the "Managing Owner"), a wholly-owned indirect subsidiary of Deutsche Bank AG. The Managing Owner is a registered commodity pool operator ("CPO") and commodity trading advisor ("CTA") with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA"). Wilmington Trust Company (the "Trustee") is the trustee of the Fund and the Master Fund, the Bank of New York (the "Administrator") is the administrator for the Fund and the Master Fund and ALPS Distributors, Inc. ("Distributor") is the distributor of the Shares of the Fund and the Master Fund.

On September 15, 2006, Deutsche Bank Securities Inc., as the initial purchaser, subject to certain conditions, agreed to purchase and took delivery of 1,000,000 Shares, which comprise the initial Baskets, at a purchase price of \$25.00 per Share. The Fund will issue Shares on a continuous basis to Authorized Participants. The Fund will issue and redeem Shares only in blocks of 200,000 Shares or integral multiples thereof to Authorized Participants. A block of 200,000 Shares is called a "Basket." These transactions will be in exchange for a Cash Deposit Amount equal to 200,000 multiplied by the net asset value ("NAV") per Share of the Fund determined on each business day by the Administrator. Initially, the Cash Deposit Amount will be approximately \$5 million. The Administrator will determine the Cash Deposit Amount for a given business day by multiplying the NAV for each Share by the number of Shares in each Basket (200,000). Only registered broker-dealers that become Authorized Participants by entering into a participant agreement with the Managing Owner and the Fund may purchase or redeem Baskets. Shares will be offered to the public from time to time at prices that will reflect, among other things, the prices of the underlying futures contracts comprising the Shares and the trading price of the Shares on the Amex at the time of the offer.

Market prices for the Shares may be different from the NAV per Share. Except when aggregated in Baskets, Shares are not redeemable securities.

## Other Information

The NAV of the Fund is obtained by subtracting the trust's liabilities on any day from the total assets of the Master Fund. The NAV per Share is obtained by dividing the NAV of the Fund on a given day by the number of Shares outstanding on that date. On each day on which the primary listing exchange (in this case, the Amex) is open for regular trading, shortly after 4:00 p.m. Eastern time ("ET"), the Administrator will determine the NAV and NAV per Share. The Administrator will value all futures contracts held by the Master Fund on the basis of their then current market value. However, if a futures contract on a trading day cannot be liquidated due to the operation of daily limits or other rules of an exchange upon which such futures contract is traded, the settlement price on the most recent trading day on which futures contract could have been liquidated will be used in determining NAV.

Shortly after 4:00 p.m. ET each business day, the Administrator will determine the Basket Amount for orders placed by Authorized Participants received before 1:00 p.m. ET that day. Purchase orders are irrevocable. Baskets are issued as of 12:00 noon ET, on the business day immediately following the purchase order date (T+1) at NAV per share as of the closing time of the primary listing exchange or the last futures exchange to close on which the Index currencies are traded, whichever is later, on the purchase order date if the required payment has been timely received. The Cash Deposit Amount and the NAV are communicated by the Administrator to all Authorized Participants via facsimile or electronic mail message and will be available on the Index Sponsor's website at <http://index.db.com>. The most recently reported NAV for the Shares and the Basket Amount will also be available on the primary listing exchange's website.

The Fund's expense ratio, in the absence of any extraordinary expenses and liabilities, is expected to be up to 0.81 % of the net assets of the Fund but may be lower based on actual expenses incurred.

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 of the Fund.

## Indicative Fund Value

In order to provide updated information relating to the Fund for use by investors, professionals and persons wishing to create or redeem Shares, the primary listing exchange will disseminate through the facilities of Consolidated Tape Association ("CTA"), an updated Indicative Fund Value (the "Indicative Fund Value"). The Indicative Fund Value will be disseminated on a per Share basis every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:15 p.m. ET under the index symbol "DBCIIV". The Indicative Fund Value will be calculated based on the cash required for creations and redemptions (i.e. NAV per Share x 200,000) adjusted to reflect the price changes of the Index currencies through investments held by the Master Fund. The Indicative Fund Value will not reflect price changes to the price of an underlying currency between the close of trading of the futures contract at the relevant futures exchange and the close of trading on the primary listing exchange at 4:15 p.m. ET. The value of a Share may accordingly be influenced by non-concurrent trading hours between the Exchange and the various futures exchanges on which the futures contracts based on the Index currencies are traded. The Indicative Fund Value on a per Share basis disseminated during Exchange trading hours should not be viewed as a real time update of the NAV, which is calculated only once a day by the Administrator.

## Continuous Offering

The method by which Basket aggregations of Shares are created and traded may raise certain issues under applicable securities laws. Because new Shares may be issued by the Fund on an ongoing basis, at any point a distribution may occur. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus-delivery requirement and liability provisions of the Securities Act of 1933 ("Securities Act").

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it purchases Basket aggregations, breaks them down into constituent Shares, and sells such Shares directly to customers, or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for Shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a categorization as an underwriter. Dealers who are not "underwriters," but are participating in a distribution (as opposed to engaging in ordinary secondary-market transactions), and thus dealing with Shares as part of an "unsold allotment" within the meaning of Section 4(3)(C) of the Securities Act, will be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. Firms that incur a prospectus delivery obligation with respect to Shares are reminded that, under Rule 153 of the Securities Act, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to an exchange member in connection with a sale on the Exchange is satisfied by the fact that the prospectus is available at the Exchange upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

**Please consult your professional advisors with respect to the information above.**

### **Creation and Redemption of Shares**

The Fund will issue and redeem Shares on a continuous basis only in Baskets of 200,000 Shares or multiples thereof, by or through Authorized Participants. Basket Aggregations will be issued in exchange for the corresponding Cash Deposit Amount that will be determined on each business day by the Administrator. The Cash Deposit Amount necessary for the creation of a Basket will change from day to day. On each day that the primary listing market is open for regular trading, the Administrator will adjust the Cash Deposit Amount as appropriate to reflect the prior day's NAV. Authorized Participants that wish to redeem a Basket will receive cash in exchange for each Basket surrendered in an amount equal to the NAV per Basket (the "Cash Redemption Amount"). These items are described in the Fund's prospectus and registration statement.

Authorized Participants that wish to purchase a Basket must transfer the Cash Deposit Amount plus a transaction fee (initially set at \$500) to the Fund in exchange for a Basket. No Shares will be issued unless and until the Administrator has informed the Distributor that it has allocated to the Fund's account the required funds necessary for the Cash Deposit Amount plus transaction fee. Authorized Participants that wish to redeem a Basket will receive the Cash Redemption Amount in exchange for each Basket surrendered less the transaction fee (initially set at \$500). The Cash Redemption Amount will be delivered to the Authorized Participant upon confirmation that the Fund's DTC Account has received the Basket.

The Fund's prospectus and registration statement describe additional procedures and requirements that apply to the creation and redemptions of Shares. Members and member organizations interested in becoming an Authorized Participant, or obtaining a list of Authorized Participants, can contact the Managing Owner at 212-250-5883 for more information.

### **Information About the Underlying Index**

The Shares are structured to provide a return that assumes an asset coverage ration of 2:1. The Shares are intended to reflect the return from investing assets in long currency futures positions for certain currencies associated with relatively high yielding interest rates and an equal amount in short currency futures positions for certain currencies associated with relatively low yielding interest rates.

The Index is calculated by DB London on both an excess return basis and a total return basis. The excess return index reflects the return of the applicable underlying currencies. The total return is the sum of the return of the applicable underlying currencies, plus the return of three-month U.S. Treasury Bills.

The Index will be calculated and disseminated every 15 seconds through Bloomberg, Reuters and on the DB London website at <http://index.db.com>. The Index includes provisions for the replacement of expiring futures contracts. This replacement takes place over a period of time in order to lessen the impact on the market for such Index commodity. Such replacements occur monthly (other than in November) during the first week of the month in the case of futures contracts relating to crude oil and heating oil and annually in November in the case of futures contracts relating to aluminum, gold, corn and wheat.

Rebalancing occurs annually in November during the first week in the case of futures contracts relating to all Index commodities. The Index is adjusted annually in November to rebalance its composition in order to ensure that each of the Index Commodities are weighed in the same proportion that such Index Commodities were weighed on December 1, 1988 (the "Base Date"). The Index has been calculated back to the Base Date. On the Base Date, the closing level was 100.

The daily settlement prices for the futures contracts on the Index commodities are publicly available on the websites of the futures exchanges trading the particular contracts. The particular futures exchange with website information is set forth as follows: (i) aluminum – London Metals Exchange (LME) at [www.lme.com](http://www.lme.com); (ii) corn and wheat – Chicago Board of Trade (CBOT) at [www.cbot.com](http://www.cbot.com); and (iii) crude oil, heating oil and gold – New York Mercantile Exchange (NYMEX) at [www.nymex.com](http://www.nymex.com). The primary listing exchange, in this case, the Amex, on its website at <http://www.amex.com> will also include a hyperlink to each of the futures exchanges websites for the purpose of disclosing futures contract pricing. In addition, various data vendors and news publications publish futures prices and data. The futures quotes and last sale information for the commodities underlying the Index are also widely disseminated through a variety of market data vendors worldwide, including Bloomberg and Reuters. In addition, complete real-time data for such futures is available by subscription from Reuters and Bloomberg. The CBOT, LME and NYMEX also provide delayed futures information on current and past trading sessions and market news free of charge on their respective websites. The specific contract specifications for the futures contracts are also available from the futures exchanges on their websites as well as other financial informational sources.

## **Investment Risks**

Interested persons are referred to the Fund's prospectus and registration statement for a description of risks associated with an investment in the Shares. Because the Shares are created to reflect the performance of the Shares, these risks include the risk that market price of the Shares will be subject to fluctuations similar to those affecting the futures contracts on the underlying currencies that comprise the DBLCI. Owners of the Shares will not have the protections normally associated with ownership of Shares in an investment company registered under the Investment Company Act of 1940 but will have the protections afforded by the Commodity Exchange Act to investors in CFTC-regulated commodity pools. The Fund has a perpetual duration unless terminated earlier in certain circumstances. If certain events occur, at any time, the Trustee will be required to terminate the Fund. In addition, as noted in the prospectus, Shares trade at market prices that may differ from NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's assets. The trading prices of the Shares will fluctuate in accordance with changes in the NAV as well as market supply and demand. The amount of the discount or premium in the trading price relative to the NAV per Share may be influenced by non-concurrent trading hours between the major currency future markets and the Exchange. While the Shares will trade on the primary listing exchange until 4:15 p.m. ET, liquidity in the market for the futures contracts on the underlying currencies comprising the Shares will be reduced after the close of the major currencies futures markets. The market for the index currencies typically close at 3:00 p.m. ET.

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

Trading in the Shares on BATS is subject to BATS equity trading rules.

## **Trading Hours**

The values of the indexes underlying the Shares are disseminated to data vendors every 15 seconds.

The Shares will trade on BATS between 8:00 a.m. and 4:00 p.m. ET. Please note that trading in the Fund's Notes during the Exchange's pre-opening session may result in additional trading risks which include: (1) lower liquidity, which may impact pricing, (2) higher volatility, which may impact pricing, (3) wider spreads may occur in the pre-opening session.

### **Suitability**

Trading in the Shares on BATS will be subject to applicable suitability rules.

### **Trading Halts**

BATS will halt trading in the Shares of a Fund in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the Fund and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the Shares of a Fund if the primary market de-lists the Fund.

### **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 the Fund (by delivery of the Cash Deposit Amount) must receive a prospectus. Prospectuses may be obtained through the Distributor toll-free at (877) 369-4617 or on the Fund's website at <http://dbcfund.db.com>. 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 registration statement.

### **Relief From the Operation of CFTC Rules 4.21, 4.22 and 4.23**

The Commodity Futures Trading Commission's ("CFTC") Division of Clearing and Intermediary Oversight (the "CFTC Division") issued a letter dated July 12, 2006 (the "Relief Letter") granting exemptive relief to the Managing Owner from CFTC Rules 4.21, 4.22 and 4.23. Specifically, the CFTC Division exempted the Managing Owner in connection with the operation of the Fund from: (1) the requirement of CFTC Rule 4.21(b) to obtain a signed acknowledgment of receipt of a disclosure document prior to accepting funds, securities or property from a prospective pool participant with respect to sales of Shares by Authorized Participants when Authorized Participants create additional Baskets, subsequent to the effectiveness of the registration statement; (2) the requirements of CFTC Rule 4.22 to deliver monthly account statements to purchasers of Shares; and (3) the requirement of CFTC Rule 4.23 to keep required books and records at the Managing Owner's main business office to the extent that such books and records are maintained at the offices of the Trustee or Distributor. The exemption from CFTC Rule 4.21 (b) is expressly conditioned on the information required in the disclosure document being maintained and kept current on websites of the Fund, Managing Owner, the primary listing exchange and the Securities and Exchange Commission ("SEC" or the "Commission").

For further information regarding these exemptions, members and member organizations are referred to the full text of the Relief Letter and the Fund's registration statement.

**As this is only a summary of the relief granted by the CFTC, the Exchange advises interested parties to consult the Relief Letter referenced above or their professional advisors for more complete information regarding the relief granted by the CFTC.**

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

The SEC's Division of Market Regulation, now known as the Division of Trading and Markets (the "Division") issued a letter dated June 21, 2006 from Racquel L. Russell, Esq., Branch Chief, Division of Market Regulation, to George T. Simon, Foley & Lardner LLP (the "No-Action Letter"), granting exemptive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding trading in securities similar to the Shares.

### **Rules 101 and 102 of Regulation M**

Under the No-Action Letter, the Fund is exempted under paragraph (d) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Fund is also exempted under paragraph (d) of Rule 101 to permit the Index Sponsor, DB London, to publish research during the applicable restricted period on the Fund's website. The No-Action Letter also exempted the Fund under paragraph (e) of Rule 102, permitting the Fund and its affiliated purchasers to redeem Shares in Baskets during the continuous offering of Shares.

### **Section 11(d)(1); Rule 11d1-2 (Customer Margin)**

The SEC has taken a no-action position under Section 11(d)(1) that will permit brokerdealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. For broker-dealers other than the Distributor that engage in the creation of Shares, the SEC has also taken a no-action position under Rule 11d1-2 that will cover the extension or maintenance or the arrangement for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days.

The exemptions from Rule 10a-1 and Rules 101 and 102 of Regulation M, Section 11(d)1 and Rule 11d-2 are subject to the condition that such transactions in Shares or any related securities are not made for the purpose of creating actual, or apparent, active trading in or raising or otherwise affecting the price of such securities. BATS Members are referred to the full text of the No-Action Letter for additional information.

**As this is only a summary of the relief granted by the SEC, the Exchange advises interested parties to consult the No-Action Letter referenced above or their professional advisors for more complete information regarding the relief granted by the SEC.**

**This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a Fund and the Funds' website for relevant information.**

Please contact Eric Swanson, 212.378.8523, [eswanson@batstrading.com](mailto:eswanson@batstrading.com), with any inquiries regarding this Information Circular.