



**BZX Information Circular 12-109**  
**BYX Information Circular 12-109**

**Date:** December 19, 2012

**Re:** Sprott Physical Platinum and Palladium Trust

Pursuant to Rule 14.11(j)(2) of the Rules of BATS Exchange, Inc. and 14.1(c)(2) of the Rules of BATS Y-Exchange, Inc. (each referred to hereafter as “BATS” or the “Exchange”), this Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange’s Rules.

**Securities (the “Trust”)**

**Symbol**

Sprott Physical Platinum and Palladium Trust

SPPP

**Commencement of Trading on the Exchange:** December 20, 2012

**Issuer/Trust:** Sprott Physical Platinum and Palladium Trust

**Issuer Website:** [www.sprott.com](http://www.sprott.com)

**Primary Listing Exchange:** NYSE Arca

Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing units of the Trust (“Units”) issued by Sprott Physical Platinum and Palladium Trust (“Trust”). Please forward this Information Circular to other interested persons within your organization.

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange’s unlisted trading privileges, as well as to provide certain characteristics and features of the Trust. For a more complete description of the Issuer, the Trust and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website or examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange. The Issuer Website, the Prospectus and the Issuer Registration Statement are hereafter collectively referred to as the “Issuer Disclosure Materials.”

**Background Information on the Trust**

Sprott Physical Platinum and Palladium Trust is not registered as an investment company under the Investment Company Act of 1940, as amended, and is not required to register under such act. The Trust will not hold or trade in commodity futures contracts regulated by the Commodity Exchange Act of 1936 (“Commodity Exchange Act”), as administered by the U.S. Commodity Futures Trading Commission (the “CFTC”). Furthermore, the Trust is not a commodity pool for purposes of the Commodity Exchange Act, and none of the Manager, the Trustee or the underwriters is subject to regulation by the CFTC as a commodity pool operator or a commodity trading advisor in connection with the Units.

The Trust was created to invest in and hold substantially all of its assets in physical platinum and palladium bullion. The Trust’s physical platinum and palladium bullion will be fully allocated and stored with the Royal Canadian Mint (the “Mint”, or the “sub-custodian of the Mint”). The current sub-custodian of the Mint is Via Mat International Ltd., through its subsidiary, Via Mat International (USA) Inc (“Via Mat”).

The Mint is a Canadian Crown corporation and its obligations generally constitute unconditional obligations of the Canadian Government.

### **Redemption for Physical Platinum and Palladium Bullion**

Subject to the terms of the Trust Agreement, a Unitholder may redeem Units for physical platinum and palladium bullion, provided the redemption request is for a minimum of 25,000 Units. Units redeemed for physical platinum and palladium bullion will have a redemption value equal to the aggregate value of the NAV per Unit of the redeemed Units on the last day of the month on which NYSE Arca is open for trading in the month during which the redemption request is processed. Certain expenses will be subtracted from the value of the redeemed Units and the resulting amount the Unitholder will receive will be referred to as the Redemption Amount. The amount of physical platinum and palladium bullion a redeeming Unitholder is entitled to receive will be determined by the Manager, who will allocate the Redemption Amount to physical platinum and palladium bullion in direct proportion to the value of physical platinum and palladium bullion held by the Trust at the time of redemption. Such amount will be referred to as the Bullion Redemption Amount. The quantity of each particular metal delivered to a redeeming Unitholder will be dependent on the applicable Bullion Redemption Amount and the sizes of plates and ingots of that metal that are held by the Trust on the redemption date. A redeeming Unitholder may not receive physical platinum and palladium bullion in the proportions then held by the Trust and, if the Trust does not have a Good Delivery plate or ingot, as the case may be, of a particular metal in inventory of a value equal to or less than the applicable Bullion Redemption Amount, the redeeming Unitholder will not receive any of that metal.

Physical platinum and palladium bullion received by a Unitholder as a result of a redemption of Units will be transported by armored transportation service carrier pursuant to instructions provided by the Unitholder to the Manager, provided that the instructions are acceptable to the armored transportation service carrier. Physical platinum and palladium bullion transported to an account established by the redeeming Unitholder at an institution authorized to accept and hold Good Delivery plates or ingots by certain armored transportation service carriers will likely retain its Good Delivery status while in the custody of such institution. Physical platinum and palladium bullion transported pursuant to a redeeming Unitholder's instruction to a destination other than such an authorized institution will no longer be deemed Good Delivery once received by such Unitholder. The armored transportation service carrier will receive the appropriate amount of physical platinum and palladium bullion for delivery in connection with a redemption of Units approximately 21 Business Days after the end of the month in which the redemption notice is processed. Additional information regarding redemption of Units is available in the Trust's Registration Statement.

### **Redemption for Cash**

Subject to the terms of the Trust Agreement, Units may be redeemed at Units may be redeemed at the option of the Unitholder for cash on a monthly basis. Units redeemed for cash will be entitled to a redemption price equal to 95% of the lesser of (i) the volume-weighted average trading price of the Units traded on NYSE Arca, for the last five Business Days on which NYSE Arca or, if trading has been suspended on NYSE Arca, the volume-weighted average trading price of the Units on the TSX, for the last five business days of the month in which the redemption price is processed; and (ii) the aggregate value of the NAV per Unit of the redeemed Units as of 4:00 p.m., Toronto time, on the last Business Day of the month for the month in New York, New York, United States in which the redemption request is processed.

A redemption notice to redeem Units for physical platinum and palladium bullion must be received by the Trust's transfer agent no later than 4:00 p.m., Toronto time, on the 15th day of the month in which the redemption notice will be processed or, if such day is not a Business Day, on the immediately following day that is a Business Day. Any redemption notice received after such time will be processed in the next

month. For each redemption notice, the Trust's transfer agent will send a confirmation notice to the Unitholder's broker that such notice has been received and determined to be complete.

### **Valuation of Platinum and Palladium and Definition of Net Asset Value**

The NAV and the NAV per Unit of the Trust, will be determined daily as of 4:00 p.m., Toronto time, on each Business Day by the Trust's valuation agent, which is RBC Investor Services. The Net Asset Value on any such day will be equal to the aggregate fair market value of the assets of the Trust as of such date, less an amount equal to the fair value of the liabilities of the Trust (excluding all liabilities represented by outstanding Units) as of such date. The valuation agent will calculate the NAV per Unit by dividing the value of the net assets of the class of the Trust represented by the Units offered hereby on that day by the total number of Units of that class then outstanding on such day. RBC Investor Services will use the Bloomberg Composite Rate to determine spot prices for physical platinum and physical palladium bullion.

Please see the Trusts' prospectus for more information regarding the Trust and their investment objectives.

The registration statement for the Trust describes the various fees and expenses for the Trust. For a more complete description of the Trust and the Underlying Indexes, visit the Issuer Website.

### **Principal Risks**

Interested persons are referred to the discussion in the prospectus for the Trust of the principal risks of an investment in the Trust. These include risks associated with: global supply and demand, which is influenced by such factors as: (i) forward selling of platinum or palladium by platinum and palladium producers; (ii) purchases made by platinum or palladium producers to unwind platinum or palladium hedge positions; (iii) central bank purchases and sales; (iv) production and cost levels in major platinum—and palladium-producing countries; (v) new production projects; and (vi) industrial demand for platinum and palladium; investors' expectations for future inflation rates; exchange rate volatility of the U.S. dollar; interest rate volatility; and unexpected global, or regional, political or economic incidents. In addition, the Units may trade at market prices that may differ from their NAV and, therefore, Units may trade at prices greater than NAV (at a premium), at NAV, or less than NAV (at a discount). See the Registration Statement for more detail regarding these risk factors and for additional risk factors.

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

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

### **Trading Hours**

The value of the Units will be disseminated to data vendors every 15 seconds during Regular Trading Hours.

The Units will trade on BATS between 8:00 a.m. and 5:00 p.m. ET. Please note that trading in the Units during the Exchange's Pre-Opening and After Hours Trading Sessions may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Pre-Opening and After Hours Trading Sessions, (2) lower liquidity in the Pre-Opening and After Hours Trading Sessions may impact pricing, (3) higher volatility in the Pre-Opening and After Hours Trading Sessions may impact pricing, (4) wider spreads may occur in the Pre-Opening and After Hours Trading Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Pre-Opening or After Hours Trading Sessions, an investor who is unable to calculate an implied value for the Units in those sessions may be at a disadvantage to market professionals.

### **Dissemination of Data**

The Consolidated Tape Association will disseminate real time trade and quote information for the Units to Tape B.

<b><i>Name</i></b>	<b><i>Listing Market</i></b>	<b><i>Trading Symbol</i></b>	<b><i>IOPV Symbol</i></b>	<b><i>NAV Symbol</i></b>
Sprott Physical Platinum and Palladium Trust	NYSE Arca	SPPP	SPPP.IV	SPPP.NV

### **Delivery of a Prospectus**

BATS Members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Trust. Prospectuses may be obtained through the Trust's website. The prospectus for the Trust does not contain all of the information set forth in the Trust 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 Trust, please refer to its Registration Statement.

In the event that the Trust relies upon an order by the SEC exempting the Units from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, BATS Rule 14.1(c)(3) require that BATS Members provide to all purchasers of Units a written description of the terms and characteristics of such securities, in a form prepared by the Issuer of the Trust, no later than the time a confirmation of the first transaction in the Units is delivered to such purchaser. In addition, BATS Members shall include such a written description with any sales material relating to the Units that is provided to customers or the public. Any other written materials provided by a BATS member to customers or the public making specific reference to the Units as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [*the UTP Derivative Securities*] has been prepared by the [*open-ended management investment company name*] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [*the UTP Derivative Securities*]."

A BATS member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Units for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to BATS member under this rule.

Upon request of a customer, BATS Members also shall provide a copy of the Prospectus.

### **Suitability**

Trading in the securities on BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

### **Trading Halts**

BATS will halt trading in the Units of a security in accordance with BATS Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

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

The Securities and Exchange Commission (the “SEC”) has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange-traded securities listed and traded on a registered national securities exchange that meet certain criteria.

**AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.**

### **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 SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of Units of the above-mentioned Trust to engage in secondary market transactions in such Units during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Units of the above-mentioned Trust (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Trust Units and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Trust Units to the Trust for redemption does not constitute a bid for or purchase of any of the Trusts’ securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Trust Units in Creation Unit Aggregations during the continuous offering of Units.

### **Rule 10b-10 (Customer Confirmations for Creation or Redemption of Trust Units)**

Broker-dealers who handle purchases or redemptions of Trust Units in Creation Unit size 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 units of the individual securities tendered to the Trust for purposes of purchasing Creation Unit Aggregations (“Deposit Securities”) or the identity, number and price of the units to be delivered by the Trust for the Trust to the redeeming holder (“Redemption Securities”). The composition of the securities required to be tendered to the Trust 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 redemption 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); and
- 3) Except for the identity, number, and price of the units 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).

### **Section 11(d)(1); 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 the units of a Trust 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 Trust complex any payment, compensation or other economic incentive to promote or sell the Units of a Trust to persons outside the Trust 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 Units of a Trust, 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 Units 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.

### **Rule 14e-5**

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Trust (1) to redeem Trust Units in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Trust Units during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Trust 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 Units, if 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 purchase; 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.

### **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 Trust Units 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 Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security's website for relevant information.**

Please contact Membership Services at 913.815.7002 with any inquiries regarding this Information Circular.