



**Cboe BZX Exchange, Inc. Information Circular      20-055**

**Date:** May 27, 2020

**Re:** ActiveShares® ETF Trust

Pursuant to the Rules of Cboe BZX Exchange, Inc., (referred to hereafter as the “Exchange”), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange pursuant to Chapter XIV of the Exchange’s Rules.

**Securities (the “Funds”)**

**Symbol**

ClearBridge Focus Value ETF

CFCV

**Commencement of Trading on the Exchange:** May 28, 2020

**Issuer/Trust:** ActiveShares® ETF Trust

**Issuer Website:** <https://www.leggmason.com/>

**Primary Listing Exchange:** Cboe BZX Exchange, Inc.

Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing shares of the Funds issued by ActiveShares® ETF 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 on the Exchange, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the Shares 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. The Issuer Website, the Prospectus and the Issuer Registration Statement are hereafter collectively referred to as the “Issuer Disclosure Materials.”

**Background Information on the Funds**

ActiveShares® ETF Trust (the “Trust”) is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a “Fund” and together, the “Funds”). The shares of the Fund are referred to herein as “Shares”.



The fund seeks long-term capital appreciation. By employing fundamental research, in an effort to identify securities with attractive risk-adjusted returns (where the potential returns on the investment are favorable relative to the potential risks of the investment), the fund's portfolio management team constructs the portfolio on a bottom-up basis. Under normal circumstances, the fund will invest at least 80% of its net assets in equity securities, or other exchange-traded investments with similar economic characteristics in which it is permitted to invest, of companies with large market capitalizations. Large capitalization companies are those companies with market capitalizations similar to companies in the Russell 1000 Index (the "Index"). The size of the companies in the Index changes with market conditions and the composition of the Index. Securities of companies whose market capitalizations no longer meet this definition after purchase by the fund still will be considered securities of large capitalization companies for purposes of the fund's 80% investment policy. The fund may also invest up to 20% of its net assets in equity securities, or other exchange-traded investments with similar economic characteristics in which it is permitted to invest, of companies with lower market capitalizations. While most of the fund's investments will be in U.S. companies, the fund may also invest in American Depositary Receipts ("ADRs") and U.S.-listed shares of foreign companies. The fund will only invest in instruments that trade on a U.S. exchange contemporaneously with the fund's shares and, for temporary or defensive purposes, in cash and cash equivalents, such as short-term U.S. Treasury securities, government money market funds, and repurchase agreements. Under normal circumstances, the fund will invest in a diversified portfolio typically consisting of the securities of 30 to 40 issuers.

The fund operates in reliance on an exemptive order from the SEC (the "Order"), which limits the types of investments the fund may hold to those listed in the fund's application for the Order. Under the terms of the Order, the fund is permitted to invest only in exchange-traded funds, exchange-traded notes, exchange listed common stocks, exchange-traded preferred stocks, exchange-traded ADRs, exchange-traded real estate investment trusts, exchange-traded commodity pools, exchange-traded metal trusts, exchange-traded currency trusts and exchange-traded futures that trade on a U.S. exchange contemporaneously with the Fund's shares, as well as cash and cash equivalents (which are short-term U.S. Treasury securities, government money market funds, and repurchase agreements). The fund's investment strategies and practices, including those listed above, are subject to these limitations.

For more information regarding the Funds' investment strategies, please read the prospectus for each Fund.

As described more fully in the Prospectus and Statement of Additional Information, each Fund will issue and redeem Shares on a continuous basis at their net asset value ("NAV") only in large blocks of 10,000 Shares (each, a "Creation Unit"). Creation Units will be issued and redeemed principally in-kind for securities included in the underlying index. 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, visit the Issuer Website.

### **Principal Risks**

As with any investment, you could lose all or part of your investment in the Funds, and the Funds’ performance could trail that of other investments. These Funds are subject to the principal risks noted below, any of which may adversely affect the Funds’ net asset value per share (“NAV”), trading price, yield, total return and ability to meet its investment objective. 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 but are not limited to ActiveShares® structure risk, Authorized Participant and AP Representative concentration risk, market trading risk, absence of active market, shares of the fund may trade at prices other than NAV risk, trading issues risk, early close/trading halt risk, large capitalization company risk, market events risk, small and mid-capitalization company risk, small fund risk, stock market and equity securities risk, value investing risk, illiquidity risk, portfolio management risk, asset class risk and cybersecurity risk.

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

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

### **Trading Hours**

The Verified Intraday Indicative Value will be widely disseminated to data vendors every second during Regular Trading Hours.

The Shares will trade on Cboe BZX Exchange, Inc. between 7:00 a.m. and 8:00 p.m. ET. Please note that trading in the Shares during the Exchanges’ Pre-Opening and After Hours/Post-Closing Trading Sessions (“Extended Market Sessions”) may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2)



lower liquidity in the Extended Market Sessions may impact pricing, (3) higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

### **Dissemination of Data**

The Consolidated Tape Association will disseminate real time trade, quote, and Verified Intraday Indicative Value information for the Shares to Tape B.

<i><b>Name</b></i>	<i><b>Trading Symbol</b></i>	<i><b>VIIIV Symbol</b></i>	<i><b>NAV Symbol</b></i>
ClearBridge Focus Value ETF	CFCV	CFCV.IV	CFCV.NV

### **Delivery of a Prospectus**

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

In the event that a Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, Exchange Rules require that Exchange Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Issuer of the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, Exchange Members shall include such a written description with any sales material relating to the Shares 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 Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [the series of Index Fund Shares] 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 series of Index Fund Shares]."

An Exchange 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 Shares 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 such Exchange member under this rule.

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

### **Suitability**

Trading in the securities on the Exchange 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.

### **Portfolio Disclosure**

Complete portfolio holdings for each Fund will be disclosed within at least 60 days following the end of every fiscal quarter.

### **Trading Halts**

The Exchange will halt trading in the Shares of a security in accordance with Exchange Rules. Rule 14.11(k)(4)(B)(iii)(a) provides that the Exchange may consider all relevant factors in exercising its discretion to halt trading in the Shares. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (i) the extent to which trading is not occurring in the securities and/or the financial instruments composing the portfolio; or (ii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Further, Rule 14.11(k)(4)(B)(iii)(b) provides that, if the Exchange becomes aware that: (i) the Verified Intraday Indicative Value is not being calculated or disseminated in one second intervals, as required; (ii) the net asset value is not disseminated to all market participants at the same time; (iii) the holdings of a Fund are not made available on at least a quarterly basis as required under the 1940 Act; or (iv) such holdings are not made available to all market participants at the same time, (except as otherwise permitted under the currently applicable exemptive order or no-action relief granted by the Commission or Commission staff to the Investment Company with respect to the Fund), the Exchange will halt trading in such series until such time as the Verified Intraday Indicative Value, the net asset value, or the holdings are available, as required.

### **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.**

#### **Section 11(d)(1) and Rule 11d1-1**

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 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 FINRA Rule 2341(l)(5)(A), (B), or (C). (See Exchange Act Release No. 88301 (February 28, 2020), Order Granting Limited Exemptions from Exchange Act Section 11(d)(1) to ActiveShares ETF Trust.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may 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.

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

An exemption from Rule 14e-5 has been granted to permit any Authorized Participant acting as a dealer-manager of a tender offer for a component security of a Fund to execute transactions through an AP Representative, and permit the AP Representative to execute such transactions on behalf of the Authorized Participant, that include, or are deemed to include, purchases of, or arrangements to purchase, subject securities or related securities, but that are not effected for the purposes of facilitating a tender offer and that are conducted in the ordinary course of business (in each case, from the time of the public announcement of the tender offer until the tender offer expires). In this regard, an Authorized Participant's ordinary course of business includes: (1) redeeming Shares of a Fund in Creation Unit size aggregations for instruments in the Basket, through its Confidential Account with an AP Representative, that may include a subject security or a related security; and (2) engaging in secondary market transactions in Shares. With respect to redemptions, the Trust notes that the Authorized Participant will have no knowledge of what Portfolio Securities are held by the Fund, so as a practical matter could not utilize the redemption process as a way to acquire individual securities held by a Fund. Further, even if the Authorized Participant had some idea what securities might be held



by a Fund, such acquisition of individual securities by means of redemptions of Shares would be impractical and extremely inefficient in view of the relatively small number of shares of any one security included in a Basket and the requirement that a minimum number of Shares (i.e., a Creation Unit) be redeemed. Redemptions of and secondary market transactions in Shares under the circumstances described would not appear to result in the abuses at which Rule 14e-5 is directed. The exemption also includes exemptive relief in connection with purchases of Creation Units of Shares by an Authorized Participant acting as a dealer-manager of a tender offer. Such relief is conditioned on the following:

- 1) no purchases of subject securities or related securities made by broker-dealers acting as dealer-managers of a tender offer would be effected for the purpose of facilitating a tender offer;
- 2) any purchases of a portfolio security by a dealer-manager during a tender offer will be effected as adjustments to a basket of securities in the ordinary course of business as a result of a change in the composition of the Fund's portfolio; and
- 3) except for as specifically granted, any broker-dealer acting as a dealer-manager of a tender offer will comply with Exchange Act Rule 14e-5.

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

Please contact Listings Services at 913.815.7024 with any inquiries regarding this Information Circular.