



## REGULATORY INFORMATION BULLETIN

**RB-10-38**  
**March 11, 2010**

**TO: ETP Holders**

**SUBJECT: Direxion Shares ETF Trust**

Compliance and supervisory personnel should note that, among other things, this Information Bulletin discusses the need to deliver a prospectus to customers purchasing shares (“Shares”) of the six exchange-traded funds (“Funds”) listed below issued by the Direxion Shares ETF Trust (“Trust”). Please forward this Information Bulletin to other interested persons within your organization.

The following securities have been approved for listing on NYSE Arca and will commence trading on March 11, 2010:

<b><u>Exchange-Traded Funds</u></b>	<b><u>Symbol</u></b>
Direxion Daily BRIC Bull 2X Shares	BRIL
Direxion Daily BRIC Bear 2X Shares	BRIS
Direxion Daily India Bull 2X Shares	INDL
Direxion Daily India Bear 2X Shares	INDZ
Direxion Daily Semiconductor Bull 3X Shares	SOXL
Direxion Daily Semiconductor Bear 3X Shares	SOXS

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

As more fully explained in the Registration Statement (No. 333-150525 and 811-22201) for the Trust, the Trust is a registered open-end management investment company currently consisting of separate investment series, i.e., the Funds. The Funds are investment companies registered under the Investment Company Act of 1940 (“1940 Act”), and commonly referred to as “exchange-traded funds.” The Trust currently consists of multiple separately managed series.

### **Direxion Daily BRIC Bull 2X Shares**

The Direxion Daily BRIC Bull 2X Shares seeks daily investment results, before fees and expenses, of 200% of the price performance of the BNY BRIC Select ADR Index (the “BNY BRIC Select Index”).

Direxion Daily BRIC Bear 2X Shares

The Direxion Daily BRIC Bear 2X Shares seeks daily investment results, before fees and expenses, of 200% of the inverse (or opposite) of the price performance of the BNY BRIC Select Index.

Direxion Daily India Bull 2X Shares

The Direxion Daily India Bull 2X Shares seeks daily investment results, before fees and expenses, of 200% of the price performance of the Indus India Index (the “Indus Index”).

Direxion Daily India Bear 2X Shares

The Direxion Daily India Bear 2X Shares seeks daily investment results, before fees and expenses, of 200% of the inverse (or opposite) of the price performance of the Indus Index.

Direxion Daily Semiconductor Bull 3X Shares

The Direxion Daily Semiconductor Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the PHLX Semiconductor Sector Index (the “Semiconductor Index”).

Direxion Daily Semiconductor Bear 3X Shares

The Direxion Daily Semiconductor Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Semiconductor Index.

Rafferty Asset Management LLC serves as the investment adviser to the Funds. Foreside Fund Services, LLC (the “Distributor”) is the distributor for the Funds. Bank of New York Mellon is the custodian, administrator, transfer agent and fund accounting agent for the Funds.

As described more fully in the Trust’s Prospectus and Statement of Additional Information (“SAI”), each Fund issues and redeems shares at their net asset value (“NAV”) only in large blocks of 50,000 Shares (each block of 50,000 Shares called a “Creation Unit”).

Each Fund pays out dividends from its net investment income, and distributes any net capital gains, to its shareholders at least annually. Each Fund may realize net capital gain (i.e., the excess of net long-term capital gain over net short-term capital loss) and thus anticipates annual distributions thereof. The Trustees may revise this dividend policy, or postpone the payment of dividends, if a Fund has or anticipates any large unexpected expense, loss or fluctuation in net assets that, in the Trustees’ opinion, might have a significant adverse effect on its shareholders.

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.

Each Fund’s NAV is determined shortly after 4:00 p.m. Eastern Time (“ET”) on each day that the New York Stock Exchange (“NYSE”) is open for business (a “Business Day”). The NAV is available from the Trust and the Exchange and is also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Trust’s registration statement describes the various fees and expenses for the Fund’s shares. For a more complete description of the Funds and the Indexes, visit [www.direxionshares.com](http://www.direxionshares.com).

### Purchases and Redemptions in Creation Unit Size

ETP Holders 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 Bull Fund are issued following deposit with the Fund of a basket of securities and/or cash. Redemption proceeds will be paid either in cash or in-kind with a basket of securities. Creation Units of the Bear Funds are purchased and redeemed for cash.

### Principal Risks

Interested persons are referred to the Trust’s Prospectus for a description of risks associated with an investment in the Shares. These risks include, but are not limited to, market risk, foreign market risk, currency risk, leverage risk, the risk that each Fund’s investment strategy may subject such Fund to greater changes to the value of portfolio holdings and imperfect correlation to the relevant Underlying Index. Each Fund may also not correlate to the relevant Underlying Index for a number of reasons including the incursion by the Fund of operating expenses and costs associated with the use of leveraged investment techniques. Over time, the cumulative percentage increase or decrease in the NAV of a Fund may diverge significantly from the cumulative percentage increase or decrease in the multiple return of the Underlying Index due to the compounding effect of losses and gains on the returns of a Fund. In addition, as noted in the Prospectus, the Shares trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund’s holdings while 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 Direxion Daily BRIC Bull and Bear Funds seek a 200% or -200% return, respectively, of an index *for a single day*. The Direxion Daily India Bull and Bear Funds seek a 200% or -200% return, respectively, of an index *for a single day*. Due to the compounding of daily returns, returns over periods other than one day will likely differ in amount and possibly direction from the target

return for the same period. Investors should monitor their holdings consistent with their strategies, as frequently as daily.

The Direxion Daily Semiconductor Bull and Bear Funds seek a 300% or -300% return, respectively, of an index *for a single day*. Due to the compounding of daily returns, returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. Investors should monitor their holdings consistent with their strategies, as frequently as daily.

The Funds' prospectus describing correlation, leverage and other risks is available at [www.direxionfunds.com](http://www.direxionfunds.com).

#### 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

The value of the Indexes underlying the Shares will be disseminated to data vendors every 15 seconds during the Exchange's Core Trading Session. The Shares will trade on NYSE Arca in the Opening, Core and Late trading sessions or from 4:00 a.m. ET until 8:00 p.m. ET in accordance with NYSE Arca Equities Rule 7.34(a). The trading increment for the Fund's Shares will be \$0.01.

#### Extended Hours Trading

ETP Holders are reminded of NYSE Arca Equities Rule 7.34(e) regarding Customer Disclosure and that trading in the Funds' Shares during the Exchange's Opening and Late Trading Sessions may result in additional trading risks which include: (1) that the current underlying index value may not be updated during the Opening and Late Sessions, (2) the intraday indicative value may not be updated during the Opening and Late Trading Sessions, (3) lower liquidity in the Opening or Late Trading Sessions may impact pricing, (5) higher volatility in the Opening or Late Trading Sessions may impact pricing, (6) wider spreads may occur in the Opening or Late Trading Sessions, and (7), since the intraday indicative value is not calculated or widely disseminated during the Opening and Late Trading Sessions, an investor who is unable calculate an implied value for an ETF in those sessions may be at a disadvantage to market professionals.

#### Trading Halts

The Exchange will halt trading in the Shares for a regulatory halt similar to a halt based on NYSE Arca Equities Rule 7.12 and/or a halt because dissemination of the intraday indicative value of the Shares and/or the underlying value of the index has ceased and /or the daily public website disclosure has ceased. Further, the Exchange will halt trading in the Shares in accordance with NYSE Arca Equities Rule 7.12 ("Trading Halts Due to Extraordinary Market Volatility"). The

Shares will be traded following a trading halt in accordance with NYSE Arca Equities Rule 7.35(f) ("Re-Opening After Trading Halts").

### Suitability

ETP Holders are reminded of their obligations under NYSE Arca Equities Rule 9.2(a)-(b) whereby the ETP holder shall use due diligence to learn the essential facts relative to every customer prior to trading the Shares or recommending a transaction in the Shares that an investment in the Shares is suitable for the customer. ETP Holders should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

### 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 a Fund (by delivery of the designated securities) must receive a Prospectus. In addition, ETP Holders are required to deliver a Prospectus to all purchasers of newly-issued Shares (i.e. during the initial public offering). ETP Holders purchasing shares from a Fund for resale to investors will deliver a Prospectus to such investors.

Prospectuses may be obtained through 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 Commission. For further information about a Fund, please refer to the Registration Statement.

In the event that a Fund relies upon an order by the Commission exempting the Shares from certain Prospectus delivery requirements under Section 24(d) of the 1940 Act and makes available a written product description, NYSE Arca Equities Rule 5.2(j)(3) Commentary .01(h) requires that ETP Holders provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust, no later than the time a confirmation of the first transaction in the Shares, is delivered to such purchaser. In addition, ETP Holders 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 ETP Holder to customers or the public making specific reference to the ETF Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of ETF Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

An ETP Holder carrying an omnibus account for a non-ETP Holder is required to inform such non-ETP Holder that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-ETP Holder to make such written description available to its customers on the same terms as are directly applicable to ETP Holders under this rule.

Upon request of a customer, ETP Holders shall also provide a copy of the Prospectus.

#### 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. ETP Holders 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 Bull Funds, thus permitting persons who may be deemed to be participating in a distribution of Shares of the Bear 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 Bull Funds and the receipt of Redemption Securities in exchange therefor by a participant in a distribution of Shares of the Bull 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 Bull Funds, thus permitting the Bull Funds to redeem Shares of the Bull 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 Bull 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 Bull 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 Information Bulletin is not a statutory prospectus. ETP Holders should consult the Trust's Registration Statement, SAI, prospectus and the Fund's website for relevant information.**

Inquiries regarding this Information Bulletin should be directed to Timothy J. Malinowski, Director, ETFs and Indexes, at (312) 442-7886.