

**STOCK EXCHANGE**

**Regulatory Information Circular**

<b>Circular number:</b>	2010-40	<b>Contact:</b>	Russ Davidson
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**Subject:** **Direxion Daily BRIC Bear 2X Shares**  
**Direxion Daily BRIC Bull 2X Shares**  
**Direxion Daily India Bear 2X Shares**  
**Direxion Daily India Bull 2X Shares**  
**Direxion Daily Semiconductor Bear 3X Shares**  
**Direxion Daily Semiconductor Bull 3X Shares**

**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 Bear 2XShares*

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 BRIC Bull 2XShares*

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 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 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 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.

### *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”).

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.

The NAV per Share of the Fund will be determined as of the close of trading (normally, 4:00 p.m. Eastern Time (“ET”)) on each day that the Exchange 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**

Equity Electronic Access Members (“Equity EAMS”) 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**

Trading in the Shares on ISE is on a UTP basis and is subject to ISE equity trading rules. The Shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Equity EAMs trading the Shares during the Extended Market 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**

ISE will halt trading in the Shares in accordance with ISE Rule 2101(a)(2)(iii). 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, ISE will stop trading the Shares if the primary market de-lists the Shares.

### **Suitability**

Trading in the Shares on ISE will be subject to the provisions of ISE Rule 2123(l). 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 ISE Rule 2123(l).

Equity EAMs 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 a 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.

## **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.

## **SEC 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. Equity EAMs 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>
BRIL	Direxion Daily BRIC Bull 2X Shares	25459W367
BRIS	Direxion Daily BRIC Bear 2X Shares	25459W359
INDL	Direxion Daily India Bull 2X Shares	25459W383
INDZ	Direxion Daily India Bear 2X Shares	25459W375
SOXL	Direxion Daily Semiconductor Bull 3X Shares	25459W458
SOXS	Direxion Daily Semiconductor Bear 3X Shares	25459W441