



## Information Circular: DB Commodity Index Tracking Fund

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**To:** Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

**From:** BX Listing Qualifications Department

**DATE:** January 15, 2009

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### Background Information on the Fund

As more fully explained in the Registration Statement (No. 333-125325) for the DB Commodity Index Tracking Fund (DBC) (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").

The DB Commodity Index Tracking 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.

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.

As described more fully in the prospectus and the registration statement for the Fund, the Fund intends to accept subscriptions for Shares in Basket aggregations from Authorized Participants.<sup>1</sup> 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. 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 DBLCI and the trading price of the Shares 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.

The NAV of the Fund is obtained by subtracting the trust's expenses and liabilities on any day from the value of the underlying futures contracts comprising the DBLCI held by the Fund on that day. 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 American Stock Exchange ("Amex") is open for regular trading, as promptly as practicable 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 based on that day's settlement price. 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.

At or about 4:00 p.m. ET each business day, the Administrator will determine the Cash Deposit Amount for orders placed by Authorized Participants received before 10:00 a.m. ET that day. Purchase orders placed by 10:00 a.m. ET 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 Amex or the last futures exchange to close on which the Index Commodities are traded, whichever is later, on the purchase order date if the required payment has been timely received. The Administrator will also at the same time determine an "Indicative Cash Deposit Amount" that Authorized Participants can use as an indicative amount of cash to be deposited for issuance of the Shares on the next business day. The Cash Deposit Amount, the Indicative 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 Fund's website at [www.dbcfund.db.com](http://www.dbcfund.db.com). The most recently reported NAV for the Shares will also be available on the Amex's website at [www.amex.com](http://www.amex.com).

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<sup>1</sup> An "Authorized Participant" is a person, who at the time of submitting to the trustee an order to create or redeem one or more Baskets, (i) is a registered broker-dealer, (ii) is a Depository Trust Company ("DTC") Participant or an Indirect Participant and (iii) has in effect a valid Authorized Participant Agreement.

The Fund's expense ratio, in the absence of any extraordinary expenses and liabilities, is expected to be up to 1.90% of the net assets of the Fund but may be lower based on actual expenses incurred.

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.

The Shares are subject to various fees and expenses described in their Registration Statement.

For a more complete description of the Fund, visit the Fund's website, [www.bdcfund.db.com](http://www.bdcfund.db.com), or consult the Fund's prospectus.

#### *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 Amex 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 commodities held by the Master Fund. The Indicative Fund Value will not reflect price changes to the price of an underlying commodity between the close of trading of the futures contract at the relevant futures exchange and the close of trading on BX at 4:00 p.m. ET. The value of a Share may accordingly be influenced by non-concurrent trading hours between BX and the various futures exchanges on which the futures contracts based on the Index commodities are traded. The Indicative Trust Value on a per Share basis disseminated during Amex trading hours should not be viewed as a real time update of the NAV, which is calculated only once a day by the Administrator.

#### *Availability of Information Regarding the Underlying Commodities Index*

DBLCI is intended to reflect the performance of aluminum, corn, crude oil, gold, heating oil and wheat. The notional amounts of each commodity included in the Index relate to the historical levels of the world's production and supplies of such Index commodities.

The Index is calculated by DB London during the trading day on the basis of the most recently reported trade price for the most active futures contract relating to the Index commodities and then applying such prices to the relevant notional amount. 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). 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.

### **Purchases and Redemptions in Creation Unit Size**

BX members are hereby informed that procedures for purchases and redemptions of Shares in Baskets are described in the prospectus for the Fund, and that Shares are not individually redeemable but are redeemable only in Baskets or multiples thereof.

### **Principal Risks**

An investment in the Shares carries certain risks.

- The Shares are created to reflect the performance of the DBLCI, 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 commodities 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 SEC has no jurisdiction over the trading of physical commodities such as aluminum, gold, crude oil, heating oil, corn and wheat, or futures on which the value of the Shares are based. There is no regulated source of last sale information regarding physical commodities.
- The Fund will have a limited duration. If certain events occur, at any time, the Trustee will be required to terminate the Fund; otherwise the Fund will terminate automatically on December 31, 2055.
- 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 commodity futures markets and BX. While the Shares will trade on BX until 4:00 p.m. Eastern Time, liquidity in the market for the futures contracts on the underlying

commodities comprising the DBLCI will be reduced after the close of the major commodities futures markets, including the CBOT, CME, NYMEX and LME. The markets for aluminum, corn, wheat, crude oil, heating oil and gold futures typically close at 12:00 p.m., 2:15 p.m., 2:15 p.m., 2:30 p.m., 2:30 p.m. and 1:30 p.m. ET, respectively.

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

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

In particular, market makers in the Shares of the Fund should note that they are subject to Bx Rule 4630. Under that rule:

**Information Barriers** — Market Makers must establish adequate information barriers when engaging in inter-departmental communications and should refer to the NASD/NYSE Joint Memo on Chinese Wall Policies and Procedures in [NASD Notice to Members 91-45](#) for guidance on the minimum elements of adequate information barriers. For purposes of the Shares only, “inter-departmental” communications include communications to other departments within the same firm or the firm’s affiliates that involve trading in an underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives.

Market Makers are also responsible for establishing adequate written supervisory procedures regarding these and other commodity-related securities in which they make markets.

**Market Maker Accounts** — Market Makers will be required to file and keep current a list identifying all accounts for trading in an underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, that the Market Maker may have or over which it may exercise investment discretion. No Market Maker shall trade in an account that has not been reported as required by Rule 4630.

**Books and Records** — Market Makers will be required to make available to BX Regulation such books, records or other information pertaining to transactions in the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, as may be requested by BX Regulation.

**Material Non-Public Information** — In connection with trading the Shares or the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, Market Makers will not be permitted to use any material non-public information received from any person associated with the Market Maker or employee of such person regarding trading by such person or employee in the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives.

Market Makers currently trading these Shares must complete the [Market Maker Disclosure Report for Commodity-Related Securities form](#) and establish written supervisory procedures for trading these Shares.

## **Trading Hours**

The values of the index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. For trading during BX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Fund during these sessions, when the underlying index's values may not be disseminated.

## **Suitability**

Trading in the Shares on BX will be subject to the provisions of BX Rule 2310. 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 the BX Conduct Rules.

Members also should review [NASD 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.

## **Trading Halts**

BX will halt trading in the Shares of the Fund in accordance with BX Rule 4120. The grounds for a halt under BX Rule 4120 include a halt by the primary market because the indicative fund value and/or the value of the DBLCI are not being disseminated as required, or a halt for other regulatory reasons. In addition, BX will stop trading the Shares if the primary market de-lists the Shares.

## **Delivery of a Prospectus**

Consistent with the requirements of the Securities Act and the rules thereunder, persons purchasing Shares directly from the Fund must receive a prospectus. In addition, BX members are required to deliver a prospectus to all purchasers of newly-issued Shares. BX members purchasing Shares from the Trusts for resale to investors will deliver a prospectus to such investors. A prospectus may be obtained through the Fund's website at [www.dbcfund.db.com](http://www.dbcfund.db.com). The prospectus for the 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 Securities and Exchange Commission ("SEC"). For further information about the Fund, please refer to its 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, Amex and the SEC.

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.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the Shares. As this is only a summary of the relief granted by the SEC, interested members should consult the Letter dated June 21, 2006 from Racquel L. Russell, Esq., Branch Chief, Division of Market Regulation, to George T. Simon, Foley & Lardner LLP, and the Letter dated January 19, 2006 from James A. Brigagliano, Assistant Director, SEC Division of Market Regulation to Michael Schmidtberger, Sidley, Austin, Brown & Wood, for more complete information regarding the trading practices relief granted by the SEC.

### **Regulation M Exemptions**

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); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Exchange 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 or she participated as a member of a selling syndicate or group within thirty days prior to such transaction.

The SEC has taken a no-action position under Section 11(d)(1) of the Exchange Act if broker-dealers (other than the Distributor) that do not create or redeem Shares but engage in both proprietary and customer transactions in Shares exclusively in the secondary market extend or maintain or arrange for the extension or maintenance of credit on Shares in connection with such secondary market transactions.

The SEC has also taken a no-action position under Section 11(d)(1) of the Exchange Act that broker-dealers (other than the Distributor) may treat Shares, 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 the 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.

The exemptions from Rule 10a-1 and Rules 101 and 102 of Regulation M and no-action positions taken under Rule 200(g) of Regulation SHO, Section 11(d)(1) and Rule 11d1-2 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. BX members are referred to the full text of the No-Action Letters for additional information.

**This Information Circular is not a statutory prospectus. BX members should consult the prospectus for the Fund and the Fund’s website at [www.dbcfund.db.com](http://www.dbcfund.db.com) for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- Will Slattery, BX Listing Qualifications, at 301.978.8088
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