

## Media Alert

### FINRA Provides Further Guidance Regarding Leveraged and Inverse ETFs

**Newton, MA – July 21, 2009** - On July 13, 2009, the Financial Industry Regulatory Authority (“FINRA”) issued additional guidance relating to its recent notice on “non-traditional ETFs.” Direxion Shares ETF Trust (“Direxion Shares”), a pioneer in providing alternative investment strategies to sophisticated investors, is a sponsor of twenty-two such ETFs.

In June 2009, FINRA issued Regulatory Notice 09-31 regarding leveraged and inverse ETFs (<http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p118952.pdf>). This notice seeks to increase awareness of the investment objectives of these funds and to help ensure that broker-dealers satisfy their regulatory duties when making recommendations involving such ETFs.

The FINRA notice included the following statement: “...inverse and leveraged ETFs are typically not suitable for retail investors who plan to hold them for more than one trading session...” Foreside Fund Services, Direxion Shares’ distributor, requested additional guidance from FINRA regarding this statement so as to clarify that broker-dealers were not in fact precluded from selling these ETFs to investors who would hold them for longer than one day, and that it remained the obligation of the broker-dealer to conduct a suitability analysis with respect to each investor and the ETF. On June 29, 2009, the Investment Company Institute requested that FINRA withdraw the notice and instead issue a notice that recognizes that suitability determinations rest with member firms and provides guidance as to recommendations involving non-traditional ETFs.

On July 13, 2009, FINRA posted a podcast available on its website (at <http://www.finra.org/Industry/Subscriptions/P116101>) in which it confirmed that FINRA member firms could reasonably recommend that a retail investor hold these ETFs for longer than one day, provided a suitability assessment is conducted with respect to such an investor and the ETF. Of particular note, the podcast includes the following statement:

“Leveraged and inverse ETFs can be appropriate if recommended as part of a sophisticated trading strategy that will be closely monitored by a financial professional. At times, this trading strategy might require a leveraged or inverse ETF to be held longer than one day.”

FINRA also confirmed in the podcast that the suitability rule applies only in the context of a broker-dealer making a recommendation.

As a leading provider of sophisticated investment solutions including multi-directional and leveraged products, Direxion Shares encourages FINRA member firms to review this latest podcast for guidance on making recommendations regarding these ETFs and conducting the required suitability assessment with respect thereto.

To request more information on Direxion, or to speak to a member of the Direxion team, please call 866-476-7523 or email [info@direxionshares.com](mailto:info@direxionshares.com).

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## **About Direxion**

Direxion Shares and Direxion Funds, managed by Rafferty Asset Management, LLC, offer leveraged index funds, ETFs and alternative-class fund products for investment advisors and sophisticated investors who seek to effectively manage risk and return in both bull and bear markets. Founded in 1997, the company has approximately \$6.5 billion in assets under management as of 6/30/09. The company's business model is built on continuous product innovation, exceptional customer service and a commitment to building strategic relationships with distribution partners. *For more information, please visit [www.direxionshares.com](http://www.direxionshares.com).*

## **Disclosure:**

*An investor should consider the investment objectives, risks, charges, and expenses of Direxion Shares carefully before investing. The prospectus contains this and other information about Direxion Shares. To obtain a prospectus, please visit [www.direxionshares.com](http://www.direxionshares.com). The prospectus should be read carefully before investing.*

Investing in index funds may be more volatile than investing in broadly diversified funds. The use of leverage by a fund means the Funds are riskier than alternatives which do not use leverage. The ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, consequences of seeking daily leveraged investment results and intend to actively monitor and manage their investments. The Funds are not designed to track the underlying index over a longer period of time.

The risks associated with the funds are detailed in the prospectus which include: adverse market condition risk, adviser's investment strategy risk, aggressive investment techniques risk, counterparty risk, credit risk, daily correlation risk, daily rebalancing and market volatility risk, interest rate risk, inverse correlation risk, leverage risk, market risk, non-diversification risk, shorting risk, tracking error risk, debt instrument risk, regulatory risk, gain limitation risk, U.S. government securities risk, special risks of exchange-traded funds and Real Estate Investment Risk.

*Distributor for DirexionShares: [Foreside Fund Services, LLC](http://www.foresidefund.com)*