

**STOCK EXCHANGE**

**Regulatory Information Circular**

<b>Circular number:</b>	2010-72	<b>Contact:</b>	Russ Davidson
<b>Date:</b>	May 19, 2010	<b>Telephone:</b>	(646) 805-1857

**Subject: IQ Taiwan Small Cap ETF**

**Background Information on the Fund**

As more fully explained in the Registration Statement (Nos. 811-22227 and 333-152915) for IndexIQ ETF Trust, the Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act”), and currently has 13 investment portfolios, of which the Fund is one portfolio. The Fund is a registered investment company and an exchange-traded “index fund.”

The Fund employs a “passive” or indexing investment approach which attempts to approximate the investment performance of the IQ Taiwan Small Cap Index (the “Index”) by investing in a portfolio of securities that generally replicates the Index. The Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the small capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in Taiwan. Constituent stocks for the Index must have a market capitalization of greater than \$150 million on a rebalancing date to be eligible for the Index. Stocks must have a three-month average daily trading volume of at least \$1 million to be eligible for the Index and issuers of such stocks must have traded at least 250,000 shares each month over the last six months.

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying Index.

ALPS Distributors, Inc. serves as distributor and principal underwriter of the Shares. The

Bank of New York Mellon serves as the administrator, accountant, custodian, and transfer agent.

As described more fully in the Fund's prospectus ("Prospectus") and Statement of Additional Information ("SAI"), the Fund issues and redeems ETF Shares only in large blocks of 50,000 ETF shares (each, a "Creation Unit"). To purchase or redeem a Creation Unit, an investor must be an Authorized Participant or must trade through a broker that is an Authorized Participant. An Authorized Participant is a participant in the Depository Trust Company that has executed a Participant Agreement with the fund's Distributor.

Dividends from net investment income are declared and paid at least annually by the Fund.

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"). NAV will be available from the Distributor and is also available to National Securities Clearing Corporation ("NSCC") participants through data made available from NSCC.

The Fund's Registration Statement describes the various fees and expenses for the Fund's Shares. For a more complete description of the Fund and the Index, visit [www.indexiq.com](http://www.indexiq.com).

### **Principal Risks**

Interested persons are referred to the description in the prospectus for the principal risks of an investment in the Fund. These risks include index risk, foreign markets risk, and the risk that the Fund's return may not match the return of its index for a number of reasons including the incursion by a Fund of operating expenses and costs not applicable to its index. In addition, as noted in the prospectus, the Shares may trade at a market price that differs from the NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares

will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares on the Exchange.

### **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 Electronic Access Members ("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.

### **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 letters dated November 21, 2005 and October 24, 2006 (together, the "No- Action Letters") granting exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 for exchange-traded funds listed and traded on a registered national securities exchange that meet certain criteria.

### **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 Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase

securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

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

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of funds (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer.

### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

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 Commission 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 NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a fund, 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 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 10b-17**

The Commission has granted an exemption from the requirements of Rule 10b-17 with respect to transactions in ETF shares, for ETFs registered as open-end management companies.

**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>
TWON	IQ Taiwan Small Cap ETF	45409B750