Jack Fonss, CEO and Co-Founder
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September 25, 2014

Re: File Number SR-NASDAQ-2014-065

Mr. Kevin O'Neill
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Mr. O'Neill:

AccuShares Holdings, LLC and Accushares Investment Management, LLC (together, "Accushares") respectfully submit this letter in response to the September 18, 2014 Order Instituting Proceedings to Determine Whether to Approve or Disapprove Proposed Rule Change to Adopt New Rule 5713 and List Paired Class Shares Issued by AccuShares Commodities Trust I (the "Order").

We refer to the filing made by The NASDAQ Stock Market LLC (the "Exchange") with the Securities and Exchange Commission (the "Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 and Rule 19b-4 there under, of a proposed rule change to list and trade shares of the AccuShares Commodities Trust I.

Separately, counsel to the Trust has engaged the Commission staff on a draft letter requesting Exemptive, Interpretive and No-Action Relief from, or Advice Regarding Rule 10b-17 promulgated under the Securities and Exchange Act of 1934, Section 11(d)(1) of the Securities and Exchange Act of 1934 (the "Exchange Act") and Rule 11d1-2 thereunder, and Rules 101 and 102 of Regulation M under the Exchange Act.

AccuShares appreciates the opportunity to provide feedback on the Order.

In the following pages, we briefly discuss the approach and objectives of the AccuShares Funds, and we respond to the questions raised in the September 18th Order. The Fund's prospectus contains considerable detail with respect to the operational details of each Fund, and it includes many examples of different holding periods, different market conditions, and the resulting values and distributions.

Because distributions on a Fund's shares are limited to scheduled dates or the occurrence of large and rare index moves, and because a Fund's index movements are particularly easy for any investor to track using public sources (e.g. Yahoo® Finance, Google® Finance, the Exchange's web site, and the Fund's web site), the information required by investors to transact in the shares or any distributions thereon is expected to be readily accessible to participants.

All references to the prospectus are directed to the "AccuShares Commodities Trust I" prospectus on the Commission's EDGAR website (the "Prospectus").

<u>Background to the Filings</u>:

As a JOBS Act filer, AccuShares has had the benefit of speaking with a range of qualified investors and market makers relating to the features and operations of the Funds detailed in the Fund's Prospectus. Consistent with the Commission's questions in the Order, the topic of distributions was discussed in many of these meetings. Because all distributions are limited to known dates or the occurrence of large and rare index moves, and because the Fund's index movements are particularly easy for any investor to track using public sources (e.g. Yahoo® finance, Google® finance , the Exchange's web site, and the Fund's web site), distributions would not be unexpected in timing or amount. Further, the consensus across qualified investors and other participants was that the frequency of a Fund's distributions is consistent with customary review (e.g. monitoring prices and returns) and customary reevaluation of share positions. Prospective participants understand that the distributions are a feature which contributes to the ability of the Funds to deliver accurate and more direct index returns.

The opinions and views expressed below are informed by conversations with the Exchange, prospective authorized participants, other market makers, traders, and qualified investors. Where any features were expected to benefit from different disclosure, additional elaboration or other clarification, we have adjusted disclosures and fund materials.

<u>The Philosophy of AccuShares</u>

The Funds were created in response to what we identified as the two most basic or "originalist" principles which should guide an exchange traded product. The first principle is that share values should move in direct response to an index in a manner consistent with the intuition of the average investor; that is, if an investor knows what an index did or will do, such investor should be able to have very specific expectations with respect to resulting share values and returns. The second principle is that share values should be realizable by shareholders in the course of ordinary market trading; that is, it should be expected that normal course market making and arbitrage should align trading prices to share values, but should these forces be insufficient, an investor safeguard should be provided when and where possible. While the industry has, to a large extent, moved on to more complex and more interesting pursuits branded as dynamic, enhanced, optimized, or active, we continue to believe there is a need for passive indexed fund alternatives. For the record, we support all exchange product development which is designed to serve typical investors.

AccuShares was formed to create some of the first ETF products specifically designed around the ETF market. Many other funds repackage securities, futures, or other contracts which sometimes suffer from high trading costs and a reliance on rolling or re-trading positions in complex or opaque markets. Generally the investors in these funds are seeking the responsiveness to an index (e.g. a specific commodity price) but their only investable alternative is a repackaged trading strategy involving sometimes difficult to observe underlying components.

Similarly, most ETFs and ETNs deliver investor returns by transacting with parties willing to take "the other side" of the fund shares; long equity funds require sellers of stock, long commodities funds require sellers of futures, and other funds require professional counterparties to take positions opposite to the fund's shares. While this fund design can deliver suitable investor performance, it does generally discriminate against the ETF or ETN investor by precluding them from transacting in all available positions around a fund's targeted index – that is, only an up share or only a down share is offered, and the typical share investor is precluded from "the other side" opportunity. Because the average ETF investor cannot typically execute baskets of securities, futures or other contracts consistent with an authorized participant, they are deprived of many market opportunities. AccuShares was formed to make a fund's delivered performance algorithmic and to allow all investors to transact directly on both sides of a fund's index – while ensuring that authorized participants continue to engage in conventional creation and redemption arbitrage.

Lastly, when AccuShares examines some exchange traded products we observe that many constituents can impact a fund's value. Some conventional funds rely on a wide range of securities counterparties, futures counterparties, or other derivative counterparties, all of which require financial incentives to transact with the fund. What is often forgotten is that, the investor's share position is only one of many positions in a number of exchange traded products, and that the investor's share position may not always be the most advantaged position among the many positions. AccuShares funds are constructed to minimize the number of constituents, complexity, and the potential for asymmetry between typical shareholders and other constituents of a fund.

We observe that many of the questions in the Order relate directly or indirectly to the corrective distribution feature of the Funds. We designed and included the corrective distribution feature in the Funds in our capacity as students of markets. We believe that the presence of corrective distribution-like features in other types of exchange traded products would have prevented a number of headline ETP premium and discount events, which risked causing long-term damage to the ETP marketplace. The corrective distribution is helpful under normal market conditions, extremely helpful under abnormal or unexpected market conditions, and it does not impact the intuitive use of the shares as an investment tool.

Questions and Responses

<u>Question 1:</u>

As described above, the Exchange represents in the proposed rule change that Paired Class Shares would engage in three different types of distributions: regular, special, and corrective. According to the Exchange, market expectation of these distributions would cause the trading prices of Paired Class Shares to experience less-pronounced conditions of premium or discount to Class Value per Share. Further, according to the Exchange, corrective distributions would eliminate then-existing premiums or discounts and would prevent persistent and material premium and discount conditions for Paired Class Shares from becoming locked. What are commenter's views on the effect that the distributions would have on premiums and discounts between the trading price of the Paired Class Shares and their respective Class Value per Share? Do commenters agree with the Exchange's assertions? Why or why not?

Question 1 Response:

We believe that the presence of regular, special, and corrective distributions will aid in the reduction of premiums and discounts.

With regard to both regular and special distributions, Class Values per Share will move in response to changes in the related index, a Fund will make a distribution based on the related index move since the last distribution date, and a fund will set the index to the then current market level. Two positive effects relating to potential discounts or premiums from regular and special distributions are: (1) an investor will enjoy an actual distribution relating to the index move rather than having to rely on trading out of an intrinsic gain which could be subject to market lags, frictions or a lack of realizable trading price responsiveness, and (2) a distribution will be accompanied by a setting of the index which will re-equate the intrinsic share prices, having the effect of further highlighting any deviations between trading prices and Class Values; any investor, not just professionals, will more clearly observe any premium or discount and any investor can execute a trade in response to these deviations.

Relating to the corrective distribution, it is expected to have both a preventative effect and a curative effect relating to premiums and discounts between trading prices and Class Values per Share. As described more completely below, the presence of the corrective distribution is expected to disincentivize any investor from buying or selling shares at material deviations from intrinsic values (the "preventative" measure), and the declaration of a corrective distribution is expected to deliver investors an accurate value where trading prices were unexpectedly deficient (the "corrective" measure) in aligning trading prices with Class Values per Share and reducing any premiums or discounts.

Referring to the Prospectus, "*The Arbitrage Mechanism and Corrective Distributions – Market Conditions for Arbitrage and Corrective Distribution*" it can be noted that almost all premium/discount combinations of the up shares and down shares of a Fund are readily cured by conventional arbitrage. It is only those unique scenarios with perfectly offsetting up share and down share deviations from intrinsic (i.e. the material discount amount of one Fund share is exactly equal to the material premium amount of the opposing share) where a corrective distribution may be declared. In practice, if material premiums or discounts occur, the majority are not expected to result in a corrective distribution, but are expected to be addressed and cured with conventional arbitrage. The corrective distribution is an investor safety feature, above and beyond conventional arbitrage, and a feature to reduce premiums and discounts similar to the corrective distribution should be considered as an addition to other exchange traded products. See the Prospectus ("*The Arbitrage Mechanism and Corrective Distributions – Market Conditions for Arbitrage and Corrective Distributions*") for an enumeration of all of the potential combinations of Class Values and Trading (a.k.a. Market) Prices.

As detailed below, because the declaration of a corrective distribution will provide investors with a more readily redeemable position unaffected by the premium or discount of a single share class, traders and other participants are expected to be heavily disincented to buy or sell shares at material premiums or discounts to the Class Values per Share before or after a corrective distribution declaration.

In the majority of scenarios, if a share is trading below or above the corrective distribution threshold, normal arbitrage is expected to be effective. There are two specific scenarios (labelled 7 and 8 indicated in Prospectus table "*Potential Combinations of Market Price/Class Value Per Share Differentials*") where the discount amount of one Fund share is exactly equal to the premium amount of the opposing Fund share, and the discount/premium exceeds the declaration threshold, and the deviation has persisted for a material period of time, where a corrective distribution is indicated. In these limited scenarios, an investor holding the discounted share is potentially disadvantaged relative to market bid prices, and an investor purchasing the premium share is potentially disadvantaged by purchasing shares at too high a price – each such situation should be avoided.

Relating to the curative impact, following the corrective distribution, the discount class holder, potentially stranded by low available bid prices, now has the correct aggregate value (inclusive of index movements) in a 50/50 position in the discount shares and premium shares. Similarly, a premium class holder would also receive the correct aggregate value (inclusive of index movements) in a 50/50 position in discount shares and premium shares. These positions are now unaffected by a single share class premium or discount, and are expected to be readily saleable at a stable and readily identifiable price (consider that a Fund is limited to holding cash equivalent positions). Authorized participants, if they choose, may redeem these positions in sufficient aggregate amount. In short, we expect the deviations to be reduced or eliminated.

Materially premium prices have been known to damage investors in a number of ETPs, and we believe the best approach to reducing losses associated with material premiums is to discourage them from developing at all. In most ETPs, material premiums should be regarded as highly temporary and therefore avoided from propagating.

As described more fully in the Prospectus section "*The Arbitrage Mechanism and Corrective Distributions*" all shareholders will receive a corrective distribution which will result in: (1) the investors holding the share class associated with the favorable index move to realize a gain equal to the realized move in the index, and (2) providing all investors with a position in an equal quantity of each share class of a fund to facilitate direct and indirect redemption; immediately following a corrective distribution, authorized participants can execute redemptions of their positions as desired, and other participants can effect indirect redemptions through a dealer by selling their two offsetting share classes at readily determinable prices which are no longer impacted by supply/demand considerations relating to the index or a single share discount or premium.

Question 2:

What are commenter's view on whether retail investors and other market participants would be able to understand the Fund's redemption mechanics and the types and timing of distributions in which the Fund would engage? For example, do commenters believe that retail investors in one class of the two classes of shares could be reasonably expected to understand the practical implications of receiving, as a result of certain distributions, shares of the opposing class, which would leave the investor with an equal number of Up Shares and Down Shares, even though they started with only one class of the two classes of shares? Do commenters believe that retail investors could be reasonably expected to understand the action they would have to take following such a distribution to reestablish the exposure to the index that they had prior to the distribution?

<u>Question 2 Response:</u>

We believe that retail investors and other market participants will be able to understand the Fund's redemption mechanics and the types and timing of distributions. In addition to the detailed examples in the Prospectus (see "*Distributions and Distribution Dates – Investor Responses to Distributions*" and "*The Arbitrage Mechanism and Corrective Distributions – Examples of Effects of Corrective Distributions*"), the Fund's website will contain infographics describing each distribution as well as the available investor actions. The infographics simplify the presentation of the effect of distributions and illustrate available investor responses when a distribution occurs – i.e. what is the timing, what is the amount, and what alternatives actions are available to the investor.

Except in the limited and unanticipated conditions listed in the Prospectus under the section "*Regular and Special Distributions and Distribution Dates – Value of Distributions*", regular and special distributions will be made to shareholders in cash. Because distributions will be made in cash, except under limited circumstances, investors will generally be making a straightforward decision with respect to deploying or maintaining received cash.

Relating to a corrective distribution, the corrective distribution is a direct response to retail investor experiences in exchange traded products where obscure technical forces or market illiquidity have caused both large premiums and/or large discounts to persist. While the industry goes to considerable measures to provide adequate investor disclosure in the form of detailed prospectuses and the dissemination of real-time estimates of indicative portfolio values, we believe that: (i) investors do not necessarily review prospectuses in their entirety regularly, and (ii) investors are not necessarily always analyzing indicative portfolio values before transacting in shares. As such, we believe that self-policing and self-correcting measures, like the Fund's corrective distribution, should be implemented when available and practical.

Selected excerpts from the Prospectus are:

"A Corrective Distribution will be utilized to reduce the likelihood of material and persistent disparities between Class Value per Share and trading prices as well as to limit the duration of any such disparities."

"A Corrective Distribution causes the Fund to deliver more accurate returns to investors related to the performance of the Fund's Underlying Index at the expense of an investor's ability to maintain relative Up Share and Down Share positions. Investors who wish to reestablish a specific Up Share or Down Share position should be prepared to buy, sell, or otherwise transact in the shares following a Corrective Distribution. See "Distributions and Distribution Dates—Investor Responses to Distributions."

"Investors in the Fund who wish to maintain a maximum exposure, a targeted absolute exposure, or a targeted relative exposure to the Fund's Underlying Index over multiple Distribution Dates should reassess their positions following all cash and share distributions….The Fund will not compound investor gains or otherwise rebalance investor positions to maximize investor exposure. The Fund is designed to make Regular Distributions of cash and shares, as applicable, to facilitate regular distribution of investor gains and to promote a deliberate and regular reassessment by investors of their investment in the Fund."

As highlighted in the response to Question 1, the declaration of a corrective distribution is expected to be rare, and it also means that, without the corrective distribution, retail investors may have otherwise been exposed to either paying a material premium relating to a purchase or suffering a material discount relating to a sale of shares. Also, investors will see a Form 8-K, a notice from the Exchange, and a notice on the Fund's website before receipt of the distribution.

The action alternatives available to an investor with respect to a distribution are: (1) sell their entire position for cash, (2) sell a portion of their position for cash for a modulated exposure to the Fund index, or (3) sell part of a position and reinvest proceeds to maximize a particular market exposure. For the average or retail investor, we view these alternatives as not materially different from cash or shares received in any distribution or traditional corporate action. For the avoidance of doubt, the declaration of a corrective distribution and the 10 day advance notice are not subject to the discretion of the sponsor or any other party.

Meetings with prospective participants have confirmed that the corrective distribution feature, in particular, is viewed as an effective balance of "newness" and "benefit" for the entire range of Fund participants. Those participants with expertise in retail investing indicated that the corrective distribution feature looks to be engineered solely for the benefit of the retail investor, and they questioned whether institutional traders would lose profitable trading opportunities (i.e. the corrective distribution controls-for and limits information asymmetry trading opportunities for professional traders). What we actually found is that market makers, including authorized participants, applaud the addition of a corrective distribution. While the more professional traders are less likely to (inadvertently) purchase shares at a material premium, they may hold shares in response to making a market for a customer, which leaves them holding a share class which could be subject to a persistent material discount (without the inclusion of a corrective distribution feature); authorized participants, with the inclusion of a corrective distribution feature, gain the same benefit as a retail investor, and in particular an authorized participant can directly redeem their position following the corrective distribution – thus, the corrective distribution is expected to encourage more active and accurate market making and more liquidity-enhancing position-taking by authorized participants, all of which are more likely to actually reduce the likelihood and occurrences of a corrective distribution declaration.

Question 3:

In the proposed rule change, the Exchange represents that each fund issuing Paired Class Shares would periodically reset its exposure to its Underlying Benchmark to avoid depleting all of the capital of one class of shares and to avoid "leverage drift". What are commenter's views on whether retail investors and other market participants would be able to understand the effect of these "resets" on their investments in the Funds?

Question 3 Response:

With respect to resets, the Funds are similar to comparable exchange traded products in the market, and as such, we expect that both retail investors and other market participants will understand the effect of resets on their investments in the Fund. Fund resets will not impact the actual or intuitive returns available to an investor over either short or long holding periods.

In other comparable ETFs and ETNs the impact of resetting comes through the re-trading of futures, options or other contracts. These comparable ETFs and ETNs effect the resetting either daily, monthly (e.g. conventional GSCI rolls), or on another cycle. This conventional resetting has transaction costs which are often difficult to isolate within the context of overall fund performance. Additionally, since the traditional method of resetting is accomplished through the trading of underlying positions at telegraphed times under prescribed fund rules, ETFs and ETNs can be disadvantaged from having to be a “price taker” in possibly adverse or challenging markets. In our experience, these resetting considerations in other funds are well known by retail investors.

Aside from a reduction in transaction expenses and an elimination of the need to transact in underlying positions, the AccuShares resets are comparable to other funds. Further, the resets (along with resultant distributions) have the benefits highlighted in the response to Question 1. While it is likely difficult for individual investors to track the resetting impact in conventional funds (without the benefit of costly professional live services which report futures contract and other prices), an individual investor in the Funds is expected to be able track and monitor resets of the Funds through readily available and free services such as Yahoo® finance, Google® finance, and the Fund’s website.

As further highlighted in the Prospectus section “*Distributions and Distribution Dates – Determination of Regular and Special Distribution Amounts and Share Index Factors*”, the regular resetting not only makes the Funds more comparable to conventional funds, but it also allows the Funds to withstanding “very large changes in the Underlying Index over the life of the Fund”.

Question 4:

With respect to the trading of Paired Class Shares on the Exchange, do commenters believe that the Exchange’s rules governing sales practices are adequately designed to ensure suitability of recommendations regarding the Shares? Why or why not? If not, should the Exchange’s rules governing sales practices be enhanced? If so, in what ways?

Question 4 Response:

We believe that the Exchange’s rules governing sales practices adequately ensure the suitability of recommendations regarding the Fund’s shares, and we do not believe that enhancement is necessary.

NASDAQ Equities Rule 2111A, in summary, requires that an exchange member have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the exchange member to ascertain the customer’s investment profile. In general, a customer’s investment profile would include the customer’s age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance. The rule also explicitly covers recommended investment strategies involving securities, including recommendations to “hold” securities.

Prior to the commencement of trading of Fund shares, the Exchange will inform its members of the suitability requirements of NASDAQ Equities Rule 2111A in an information circular. Specifically, members are required to be reminded in the information circular that, in recommending transactions in shares of the Funds, they must have a reasonable basis to believe that (1) the recommendation is suitable for a customer given reasonable inquiry concerning the customer’s investment objectives, financial situation, needs, and any other information known by such member, and (2) the customer can evaluate the special characteristic and is able to bear the financial risks of an investment in the shares. In connection with the suitability obligation, the information circular would also provide that members must make reasonable efforts to obtain the following information: (1) the customer's age; (2) the customer's other investments; (3) the customer's financial situation and needs; (4) the customer's tax status; (5) the customer's investment objectives, experience, time horizon, liquidity needs and risk tolerance; and (6) such other information used or considered to be reasonable by such members or registered representatives in making recommendations to the customer.

We believe that the rules governing sales practices, as currently implemented are the appropriate rules for the Fund shares.

Question 5:

Although each of the Funds would be based on an index, none of the Funds would actually invest its portfolio assets in an effort to match or exceed the performance of its underlying index. Instead, each Fund would hold short-term government securities (and repurchase agreements on those securities) and would allocate the value of its portfolio between holders of the Up Shares and holders of the Down Shares, depending on changes in the underlying index. What are commenter's views with respect to whether retail investors will understand this aspect of the Funds, and what are commenter's views about whether it is appropriate for an exchange traded product to be structured in this way?

Question 5 Response:

We believe that retail investors will understand this aspect of the Funds. A Fund holds cash and cash equivalent securities, and the Cash Values per Share will be directly responsive to changes in the underlying index. In addition, like any exchange traded product, the investor can purchase or sell shares at any time through their brokerage account. Also, exchange traded notes are similar to the Fund with respect to the "portfolio assets" aspect, in that an ETN does not have identified "portfolio assets", and this aspect of ETNs has been well understood.

We further believe that it is appropriate for an exchange traded product to be structured this way. The structure presents a number of advantages over many conventional types of funds for retail investors, market makers, and other participants. Among the advantages are lower fund operating costs, improved fund transparency, a higher certainty of redemption values, and direct indexing. Also, as highlighted above, an exchange traded note is similar to the Funds in that an exchange traded note also does not invest in segregated or other identifiable index related assets. Exchange traded notes currently trading on exchanges illustrate a precedent relating to "actual investments", and the Funds have a number of benefits over exchange traded notes.

Lower Costs and Transparency: Because the Class Value per Share amounts are directly related to an independent and readily observable index, there is no need for a Fund to incur trading costs over assets in an effort to track the index. Further, in the case where other funds experience both transaction costs and securities (or other instrument) prices in markets not directly observable by retail investors (e.g. futures markets, over-the-counter markets, commodity markets, fixed income markets, or foreign markets) investors may realize values in their ETFs that differ from their intuition based on observable instruments, observable target indices, or reported fund portfolio values. The structure of the Funds eliminate this trading cost, and an investor, even one with the most limited market data access such as television, Yahoo® or Google® finance, or newspapers, will be reasonably well equipped to have accurate intuition of Class Values.

Higher Certainty of Redemption Values: Because Class Values per Share and creations and redemptions are all based on objective, independent, and readily observable indices, the arbitrage process effected by authorized participants has a number of benefits over other funds. The shares are readily created and redeemed at a certain and readily determinable value thereby eliminating the frictions often caused where (a potential large number of) in-kind securities are challenging to value or where a cash creation or redemption is based on trading illiquid securities or trading securities in a fast moving market. Since the entitlements of the shares is algorithmic, and since the redemption basket for a Fund share is limited to a single security (i.e. the other Fund share), arbitrages and redemptions are highly transparent and highly efficient with a minimum of moving parts.

Direct Indexing: Conversations with participants have been encouraging the launch of the Funds. While existing fund offerings fulfill some investing needs, prospective participants have been supportive of funds which deliver more direct indexing that is more easily followed through readily observable and free data services. Further, we believe that the advantage of direct indexing will improve the alignment between investor intuition and Class Values per Share.

As discussed above, with respect to the delivery of an independent and objectively determined index investment exposure without holding the underlying securities, the Funds are similar to an exchange traded note. However, in an exchange traded note, an investor is subject to the performance risk of the obligor, and a market maker is subject to exchange traded note creation and redemptions processes which are sometimes less standardized than ETF processes.

In conclusion, we appreciate the opportunity to respond to the questions in the Order, and we respectfully request approval of the Exchange's proposed rule as it will be beneficial to investors and market participants.

Sincerely,

Jack Fonss