IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

Nasdaq requests that the Commission approve this filing on an accelerated basis since it raises no new or novel issues and will enable Nasdaq to accommodate the timetable of listing the Notes. In this regard, Nasdaq notes that the Commission has previously approved the listing of securities the performance of which has been linked to the Index.[23]

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association, and, in particular, the requirements of Section 15A of the Act.[24] Specifically, the Commission finds that the proposal is consistent with Section 15A(b)(6) of the Act, which requires that the rules be designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in processing information with respect to and facilitating transactions in securities, as well as to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.[25]

In approving the product, the Commission recognizes that the Index is a passive total return index based on (1) buying a portfolio consisting of the component stocks of the Nasdaq-100, and (2) ''writing'' (or selling) near-term Nasdaq-100 call options, with the closest out-of-the money strike price, generally on the third Friday of each month. Given the large trading volume and capitalization of the compositions of the stocks underlying the Index, the Commission believes that the listing and trading of the Notes that are linked to the BXN Index should not unduly impact the market for the underlying securities compromising the Nasdaq-100 or raise manipulative concerns.[26] Moreover, the issuers of the underlying securities comprising the Nasdaq-100 are subject to reporting requirements under the Act, and all of the component stocks are either listed or traded on, or traded through the facilities of, U.S. securities markets.

The Commission also believes that any concerns that a broker-dealer, such as Morgan Stanley, or a subsidiary providing a hedge for the issuer, will incur undue position exposure are minimized by the size of the Notes issuance in relation to the net worth of Morgan Stanley.[27]

Finally, the Commission notes that the value of the Index will be calculated and disseminated by CBOE once every trading day after the close of trading. However, the Commission notes that the value of the Nasdaq-100 will be widely disseminated at least once every fifteen seconds throughout the trading day and that investors are able to obtain real-time call option pricing on the Nasdaq-100 Index during the trading day. Further, the Indicative Value, which will be calculated by the CBOE after the close of trading and after the CBOE calculates the BXN Index for use by investors the next trading day, is designed to provide investors with a daily reference value of the adjusted Index.

Further, the Commission notes that the Nasdaq has agreed to undertake to delist the Notes in the event that CBOE ceases to calculate and disseminate the Index, and Morgan Stanley is unable to arrange to have the BXN Index calculated and widely disseminated through a third party.

The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of the notice of filing thereof in the **Federal Register**. Nasdaq has requested accelerated approval because this product is similar to several other instruments currently listed and traded on the Nasdaq.[28] Additionally, the Notes will be listed pursuant to Nasdaq's existing hybrid security listing standards as described above. Therefore, the Commission finds good cause, consistent with Section 19(b)(2) of the Act,[29] to approve the proposal on an accelerated basis.

Accordingly, the Commission believes there is good cause, consistent with Sections 15A(b)(6) and 19(b)(2) of the Act,[30] to approve the proposal, on an accelerated basis.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[31] that the proposed rule change (SR–NASD–2005–118) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[32]

Jonathan G. Katz,

Secretary.

[FR Doc. 05–22414 Filed 11–9–05; 8:45 am]

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[23] *See* supra note 10.

[24] 15 U.S.C. 78*o*–3.

[25] In approving the proposed rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[26] The issuer, Morgan Stanley, disclosed in the prospectus that the original issue price of the Notes includes commissions (and the secondary market prices are likely to exclude commissions) and Morgan Stanley's costs of hedging its obligations under the Notes. These costs could increase the initial value of the Notes, thus affecting the payment investors receive at maturity. Additionally, the issuer discloses in the prospectus that the hedging activities of its affiliates, including selling call options on the Nasdaq-100, could affect the value of these call option during the half hour period in which their value is determined for purposes of inclusion in the BXN Index. Such hedging activity must, of course, be conducted in accordance with applicable regulatory requirements.

[27] *See* Securities Exchange Act Release Nos. 44913 (October 9, 2001), 66 FR 52469 (October 15, 2001) (order approving the listing and trading of notes whose return is based on the performance of the Nasdaq-100 Index) (SR–NASD–2001–73); 44483 (June 27, 2001), 66 FR 35677 (July 6, 2001) (order approving the listing and trading of notes whose return is based on a portfolio of 20 securities selected from the Amex Institutional Index) (File No. SR–Amex–2001–40); and 3774 (September 27, 1996), 61 FR 52480 (October 7, 1996) (order approving the listing and trading of notes whose return is based on a weighted portfolio of healthcare/biotechnology industry securities) (SR–Amex–96–27).

[28] *See* supra not 10.

[29] 15 U.S.C. 78f(b)(5) and 78s(b)(2).

[30] 15 U.S.C. 78o3(b)(6) and 78s(b)(2).

[31] 15 U.S.C. 78s(b)(2).

[32] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–52715; File No. SR–NYSE–2005–65]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Regarding the Euro Currency Trust

November 1, 2005.

Pursuant to section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the ''Exchange Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that on September 29, 2005, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade under new NYSE Rules 1300A *et seq.* (''Currency Trust Shares'') Euro

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

Shares, which represent units of fractional undivided beneficial interest in and ownership of the Euro Currency Trust. The text of the proposed rule change is set forth below. Proposed new language is in *italics*.

* * * * *

NYSE Constitution and Rules

Rule 1300A

Currency Trust Shares

(a) *The provisions of this Rule 1300A series apply only to Currency Trust Shares. The term ''Currency Trust Shares'' as used in this Rule and in Rule 1301A means a security that (a) is issued by a trust (''Trust'') which holds a specified non-U.S. currency deposited with the Trust; (b) when aggregated in some specified minimum number may be surrendered to the Trust by the beneficial owner to receive the specified non-U.S. currency; and (c) pays beneficial owners interest and other distributions on the deposited non-U.S. currency, if any, declared and paid by the Trust. While Currency Trust Shares are not technically Investment Company Units and thus are not covered by Rule 1100, all other rules that reference ''Investment Company Units,'' as defined and used in Para. 703.16 of the Listed Company Manual, including, but not limited to Rules 13, 36.30, 98, 104, 460.10, 1002, and 1005 shall also apply to Currency Trust Shares. When these rules reference Investment Company Units, the word ''index'' (or derivative or similar words) will be deemed to be the applicable non-U.S. currency spot price and the word ''security'' (or derivative or similar words) will be deemed to be ''Currency Trust Shares''. The term ''applicable non-U.S. currency'' as used in Rule 1300A and 1301A means the currency that is held by the trust for a particular issue of Currency Trust Shares.*

(b) *As is the case with Investment Company Units, paragraph (m) of the Guidelines to Rule 105 shall also apply to Currency Trust Shares. Specifically, Rule 105(m) shall be deemed to prohibit an equity specialist, his member organization, other member, allied member or approved person in such member organization or officer or employee thereof from acting as a market maker or functioning in any capacity involving market-making responsibilities in the applicable non-U.S. currency, options, futures or options on futures on such currency, or any other derivatives based on such currency. However, an approved person of an equity specialist entitled to an exemption from Rule 105(m) under Rule 98 may act in a market making capacity, other than as a specialist in the same issue of Currency Trust Shares in another market center, options, futures or options on futures on the applicable non-U.S. currency, or any other derivatives based on such currency.*

(c) *Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of the Constitution, all other Exchange Rules and policies shall be applicable to the trading of Currency Trust Shares on the Exchange. Pursuant to Exchange Rule 3 (''Security''), Currency Trust Shares are included within the definition of ''security'' or ''securities'' as those terms are used in the Constitution and Rules of the Exchange.*

Rule 1301A

Currency Trust Shares: Securities Accounts and Orders of Specialists

(a) *The member organization acting as specialist in Currency Trust Shares is obligated to conduct all trading in the Shares in its specialist account, subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange. (See Rules 104.12 and 104.13.) In addition, the member organization acting as specialist in Currency Trust Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading in the applicable non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, which the member organization acting as specialist may have or over which it may exercise investment discretion. No member organization acting as specialist in Currency Trust Shares shall trade in the applicable non-U.S. currency, options, futures or options on futures on such currency, or any other derivatives based on such currency, in an account in which a member organization acting as specialist, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required hereby.*

(b) *In addition to the existing obligations under Exchange rules regarding the production of books and records (see, e.g., Rule 476(a)(11)), the member organization acting as specialist in Currency Trust Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in the applicable non-U.S. currency options, futures or options on futures on such currency, or any other derivatives on such currency, as may be requested by the Exchange.*

(c) *In connection with trading the applicable non-U.S. currency, options, futures or options on futures on such currency or any other derivative on such currency (including Currency Trust Shares), the specialist registered as such in an issue of Currency Trust Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the applicable non-U.S. currency, options, futures or options on futures of such currency, or any other derivatives on such currency.*

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NYSE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in item IV below and is set forth in sections A, B, and C below.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade under new NYSE Rules 1300A *et seq*. Euro Shares (''Shares''), which represent units of fractional undivided beneficial interest in and ownership of the Euro Currency Trust (''Trust''). Rydex Specialized Products LLC is the sponsor of the Trust (''Sponsor''), The Bank of New York is the trustee of the Trust (''Trustee''), JPMorgan Chase Bank, N.A., London Branch, is the depository for the Trust (''Depository''), and Rydex Distributors, Inc. is the Distributor for the Trust (''Distributor''). The Sponsor, Trustee, Depository, and Distributor are not affiliated with the Exchange or one another, with the exception that the Sponsor and Distributor are affiliated.

As stated in the Trust's Registration Statement,[4] the investment objective of

[4] The Sponsor, on behalf of the Trust, filed the Form S–1 (the ''Registration Statement'') on June 7, Continued

the Trust is for the Shares to reflect the price of the euro. The shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding euro.

Overview of the Foreign Exchange Industry [5]

The Exchange represents that the foreign exchange market is the largest and most liquid financial market in the world. As of April 2004, the foreign exchange market experienced average daily turnover of approximately $1.88 trillion, which was a 57% increase (at current exchange rates) from 2001 daily averages. The foreign exchange market is predominantly an over-the-counter market with no fixed location, and it operates 24 hours a day, seven days a week. London, New York, and Tokyo are the principal geographic centers of the worldwide foreign exchange market, with approximately 58% of all foreign exchange business executed in the United Kingdom, United States (''US''), and Japan. Other, smaller markets include Singapore, Zurich, and Frankfurt.

Approximately 89% of foreign exchange transactions involve the U.S. dollar (''USD''), and approximately 37% involve the euro. The euro/USD pair is by far the most-traded currency pair and in recent years has comprised approximately 28% of the global turnover in foreign exchange. As of September 26, 2005, $1 USD was worth approximately 0.828 euro, calculated at the then-current Noon Buying Rate (described below in ''Issuance of the Shares'').[6]

The Exchange states that there are three major kinds of transactions in the traditional foreign exchange markets: Spot transactions, outright forwards, and foreign exchange swaps. ''Spot'' trades are foreign exchange transactions that settle typically within two business days with the counterparty to the trade. Spot transactions account for approximately 35% of reported daily volume in the traditional foreign exchange markets. ''Forward'' trades, which are transactions that settle on a date beyond spot, account for 12% of the reported daily volume, and ''swap'' transactions, in which two parties exchange two currencies on one or more specified dates over an agreed period and exchange them again when the period ends, account for the remaining 53% of volume.

There also are transactions in currency options, which trade both over-the-counter and, in the US, on the Philadelphia Stock Exchange (''Phlx''). Currency futures are transactions in which an institution buys or sells a standardized amount of foreign currency on an organized exchange for delivery on one of several specified dates. Currency futures are traded on a number of regulated markets, including the International Monetary Market division of the Chicago Mercantile Exchange (''CME''), the Singapore Exchange Derivatives Trading Limited (''SGX,'' formerly the Singapore International Monetary Exchange or SIMEX), and the London International Financial Futures Exchange (''LIFFE'').[7] Over 85% of currency derivative products (swaps, options, and futures) are traded over-the-counter.[8]

Participants in the foreign exchange market have various reasons for participating. Multinational corporations and importers need foreign currency to acquire materials or goods from abroad. Banks and multinational corporations sometimes require specific wholesale funding for their commercial loan or other foreign investment portfolios. Some participants hedge open currency exposure through off-balance-sheet products.

The primary participants in the foreign exchange market are banks (including government-controlled central banks), investment banks, money managers, multinational corporations, and institutional investors. The most significant participants are the major international commercial banks that act both as brokers and as dealers. In their dealer role, these banks maintain long or short positions in a currency and seek to profit from changes in exchange rates. In their broker role, the banks handle buy and sell orders from commercial customers, such as multinational corporations. The banks earn commissions when acting as agent. They profit from the spread between the rates at which they buy and sell currency for customers when they act as principal.

Typically, banks engage in transactions ranging from $5 million to $50 million in amount. Although banks will engage in smaller transactions, the fees that they charge have made the foreign currency markets relatively inaccessible to individual investors. Some banks allow individual investors to engage in spot trades without paying traditional commissions on the trades. Such trading is often not profitable for individual investors, however, because the banks charge the investor the spread between the bid and the ask price maintained by the bank on all purchases and sales. The overall effect of this fee structure depends on the spread maintained by the bank and the frequency with which the investor trades. Generally, this fee structure is particularly disadvantageous to active traders.

The Sponsor believes that the Trust is the first exchange-traded fund [9] whose assets are limited to a particular foreign currency. The Trust will not hold or trade in any currency swaps, options, futures, or other currency derivative products, or engage in any foreign exchange market transactions. The sole assets of the Trust are the euro deposited into the Deposit Account [10] upon the creation of Baskets of 50,000 Shares each (as described below), and the euro earned as interest on the Deposit Account. The investment objective of the Trust is for the Shares to reflect the price of the euro.[11] The

2005, Amendment No. 1 thereto on August 12, 2005, and Amendment No. 2 thereto on October 25, 2005. *See* Registration No. 333–125581.

[5] The Exchange states that, except as otherwise specifically noted, the information provided in its Rule 19b–4 filing relating to the Shares, foreign currency markets, movements in foreign currency or euro pricing, and the like is based entirely on information included in the Registration Statement.

[6] For April 2004, the daily average foreign exchange turnover of the US dollar against the euro was approximately $550 billion. *See* Bank for International Settlements, Triennial Central Bank Survey, March 2005, Statistical annex tables, Table E–2. In addition, the reported daily turnover of foreign exchange contracts (USD against euro) in over-the-counter derivatives markets for April 2004, including outright forwards and Forex swaps, was $1.15 trillion. *See id.* at 17.

[7] Volume in euro futures (Euro FX) on the CME for 2004 was 17,791,457 contracts. The 2005 Euro FX futures volume on the CME through October 19, 2005 was 25,222,252 contracts. Euro options (EURFX) volume on the Phlx was 6,162 contracts in June 2005 and 2,918 in July 2005. The 2005 EURFX volume through July was 33,408 contracts. *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005 (confirming Euro FX volume on CME).

[8] *See* Bank for International Settlements, Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 2004, September 2004 (Tables 2 and 6).

[9] The Exchange states that the Trust is not a registered investment company under the Investment Company Act of 1940 (''1940 Act'') and is not required to register under the 1940 Act.

[10] The Deposit Account is the euro account of the Trust established with the Depository (the London branch of JP Morgan Chase Bank, N.A.) by the Deposit Account Agreement. The Deposit Account holds the euro deposited with the Trust.

[11] The Sponsor expects interest paid by the Depository on the deposited euro to offset the Trust's expenses; however, in the event that the Trust has to sell deposited euro to pay Trust expenses, the Shares would reflect the price of the euro, less the Trust's expenses. *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

Sponsor believes that, for many investors, the Shares represent a cost-effective investment relative to traditional means of investing in the foreign exchange market. Because the Shares will be traded on the NYSE, investors will be able to access the euro market through a traditional brokerage account, which will provide investors with an efficient means of implementing investment tactics and strategies that involve the euro.

Foreign Currency Regulation. Most trading in the global over-the-counter foreign currency markets is conducted by regulated financial institutions such as banks and broker-dealers. In addition, in the US, the Foreign Exchange Committee of the New York Federal Reserve Bank has issued Guidelines for Foreign Exchange Trading, and central-bank sponsored committees in Japan and Singapore have published similar best practice guidelines. In the United Kingdom, the Bank of England has published the Non-Investment Products Code, which covers foreign currency trading. The Financial Markets Association, whose members include major international banking organizations, has also established best practices guidelines called the Model Code.

Participants in the U.S. over-the-counter market for foreign currencies are generally regulated by their oversight regulators. For example, participating banks are regulated by the banking authorities. In addition, in the US, the SEC regulates trading of options on foreign currencies on the Phlx, and the Commodity Futures Trading Commission (''CFTC'') regulates trading of futures, options, and options on futures on foreign currencies on regulated futures exchanges.[12] Both the SEC and CFTC have established rules designed to prevent market manipulation, abusive trade practices, and fraud, as have the exchanges on which the foreign currency products trade.

The Phlx, CME, SGX, and LIFFE have authority to perform surveillance on their members' trading activities, review positions held by members and large-scale customers, and monitor the price movements of options and/or futures markets by comparing them with cash and other derivative markets' prices.

[12] The CFTC is an independent government agency with the mandate to regulate commodity futures and options markets in the US under the Commodity Exchange Act. In addition to its oversight of regulated futures exchanges, the CFTC has jurisdiction over certain foreign currency futures, options, and options on futures transactions occurring other than on a regulated exchange and involving retail customers.

The Euro. According to the Registration Statement, in 1998, the European Central Bank in Frankfurt was organized by Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain in order to establish a common currency—the euro. In 2001, Greece joined as the twelfth country adopting the euro as its national currency. Unlike the U.S. Federal Reserve System, the Bank of Japan, and other comparable central banks, the European Central Bank is a central authority that conducts monetary policy for an economic area consisting of many otherwise largely autonomous states.

At its inception on January 1, 1999, the euro was launched as an electronic currency used by banks, foreign exchange dealers, and stock markets. In 2002, the euro became cash currency for approximately 300 million citizens of 12 European countries. On May 1, 2004, ten additional countries joined the European Union and, subject to meeting rigorous criteria established by the European Central Bank, are expected to adopt the euro as their national currency on or about 2010. These countries are Cyprus (South), the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Although the European countries that have adopted the euro are members of the European Union, the United Kingdom, Denmark, and Sweden are European Union members that have not adopted the euro as their national currency.

Trust's Sponsor, Trustee, Depository, and Distributor

The Sponsor. The Sponsor of the Trust is Rydex Specialized Products LLC, a Delaware LLC that is wholly-owned by PADCO Advisors II, Inc., a privately-held Maryland corporation owned and controlled by two irrevocable trusts. The Sponsor and its affiliates, collectively, do business as ''Rydex Investments.''

The Sponsor is responsible for establishing the Trust and for the registration of the Shares. The Sponsor generally oversees the performance of the Trustee and the Trust's principal service providers, but does not exercise day-to-day oversight over the Trustee or service providers to the Trust. The Sponsor regularly communicates with the Trustee to monitor the overall performance of the Trust. The Sponsor, with assistance and support from the Trustee, is responsible for preparing and filing periodic reports on behalf of the Trust with the SEC and will provide any required certification for such reports. The Sponsor will designate the independent certified public accountants of the Trust and may, from time to time, employ legal counsel for the Trust.

To assist the Sponsor in marketing the Shares and in accordance with the Depositary Trust Agreement, the Sponsor will enter into a Distributor Agreement with the Distributor and the Trust. The Sponsor may determine to engage additional or successor distributors. The fees of the Distributor (an affiliate of the Sponsor) and of any additional or successor distributor will be paid by the Sponsor from its fee paid from the assets of the Trust.

The Sponsor will maintain a public Web site on behalf of the Trust, *http://www.currencyshares.com*, which will contain information about the Trust and the Shares, and will oversee certain shareholder services, such as a call center and prospectus delivery.[13]

The Sponsor may direct the Trustee in the conduct of its affairs, but only as provided in the Depositary Trust Agreement. For example, the Sponsor may direct the Trustee to sell the Trust's euro to pay expenses, to suspend a redemption order or postpone a redemption settlement date, or to terminate the Trust if certain criteria are met. The Sponsor anticipates that, if the market capitalization of the Trust is less than $300 million (as adjusted for inflation) at any time after the first anniversary of the Trust's inception, then the Sponsor will, in accordance with the Depositary Trust Agreement, direct the Trustee to terminate and liquidate the Trust.

Fees are paid to the Sponsor as compensation for services performed under the Depositary Trust Agreement and for services performed in connection with maintaining the Trust's Web site and marketing the Shares. The Sponsor's fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.40% of the Net Asset Value (''NAV'') of the Trust.

The Trustee. The Bank of New York, the Trustee, is generally responsible for the day-to-day administration of the Trust, including keeping the Trust's operational records. The Trustee's principal responsibilities include selling the Trust's euro if needed to pay the Trust's expenses, calculating the NAV of the Trust and the NAV per Share, receiving and processing orders from Authorized Participants to create and redeem Baskets (as discussed below), and coordinating the processing of such

[13] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

orders with the Depository and The Depository Trust Company (''DTC''). The Trustee will earn a monthly fee that will be paid by the Sponsor from its fee paid from the assets of the Trust.

The Trustee intends to regularly communicate with the Sponsor to monitor the over-all performance of the Trust. The Trustee, along with the Sponsor, consults with the Trust's legal, accounting and other professional service providers as needed. The Trustee assists and supports the Sponsor with the preparation of all periodic reports required to be filed with the SEC on behalf of the Trust.

Affiliates of the Trustee may, from time to time, act as Authorized Participants or purchase or sell euro or Shares for their own account, as agent for their customers, and for accounts over which they exercise investment discretion.

The Depository. The London Branch of JPMorgan Chase Bank, N.A., a U.S. national banking association, is the Depository. The Depository accepts Trust euro deposited with it as a banker [14] by Authorized Participants in connection with the creation of Baskets. The Depository facilitates the transfer of euro into and out of the Trust through the euro deposit account maintained with it as a banker by the Trust. The Depository will not be paid a fee for its services to the Trust but will be reimbursed for certain expenses.[15] The Depository may earn a ''spread'' or ''margin'' over the rate of interest it pays to the Trust on the euro deposit balances.[16] The Depository and its affiliates may, from time to time, act as Authorized Participants or purchase or sell euro or Shares for their own account, as agent for their customers, and for accounts over which they exercise investment discretion.

The Distributor. Rydex Distributors, Inc., the Distributor, assists the Sponsor in developing a marketing plan for the Trust on an ongoing basis, preparing marketing materials regarding the Shares, including the content on the Trust's Web site, executing the marketing plan for the Trust, and providing strategic and tactical research on the global foreign exchange market. The Distributor and its affiliates may, from time to time, act as Authorized Participants or purchase or sell euro or Shares for their own account, as agent for their customers, and for accounts over which they exercise investment discretion.

Description of the Trust

General Description. The Exchange states that the Trust will be formed under the laws of the State of New York as of the date the Sponsor and the Trustee sign the Depositary Trust Agreement and the Initial Purchaser makes the initial deposit for the issuance of three Baskets. A Basket is a block of 50,000 Shares. The Trust holds euro [17] and is expected, from time to time, to issue Baskets in exchange for deposits of euro and to distribute euro in connection with redemptions of Baskets. The investment objective of the Trust is for the Shares to reflect the price of the euro. The Shares represent units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust is not managed like a business corporation or an active investment vehicle. The euro held by the Trust will only be sold: (1) If needed to pay Trust expenses, (2) in the event the Trust terminates and liquidates its assets, or (3) as otherwise required by law or regulation. The Exchange notes that, according to the Registration Statement, the sale of euro by the Trust is a taxable event to Shareholders.

The Trust's assets will consist only of euro on demand deposit in a euro-denominated, interest-bearing account at JPMorgan Chase, London Branch.[18] The Trust will not hold any derivative products. Each Share represents a proportional interest, based on the total number of Shares outstanding, in the euro owned by the Trust, less the estimated accrued but unpaid expenses (both asset-based and non-asset based) of the Trust. The Sponsor expects that the price of a Share will fluctuate in response to fluctuations in the price of the euro, and that the price of a Share will reflect accumulated interest as well as the estimated accrued but unpaid expenses of the Trust.

The Trust will terminate upon the occurrence of any of the termination events listed in the Depositary Trust Agreement and will otherwise terminate on a specified date in 2045.

The Sponsor, on behalf of the Trust, intends to request relief from certain trading requirements of the Exchange Act; it has also requested guidance on the application of the certification rules for quarterly and annual reports adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002. In addition, the Trust will not be subject to the Exchange's corporate governance requirements, including the Exchange's audit committee requirements.[19]

Trust's Expenses. The Trust's only ordinary recurring expense is expected to be the Sponsor's fee. The Sponsor is obligated under the Depositary Trust Agreement to pay the following administrative and marketing expenses of the Trust: the Trustee's monthly fee, the Distributor's fee, NYSE listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses, and up to $100,000 per year in legal fees and expenses. The Sponsor is also obligated to pay the costs of the Trust's organizational expenses and the costs of the initial sale of the Shares, including the applicable SEC registration fees.

As stated in the Trust's Registration Statement, the Trust will use interest earned on the Deposit Account to pay the Sponsor's fee and any other Trust

[14] While the Depository will hold the Trust's assets, the Depository is not a trustee for the Trust or the Shareholders.

[15] *See infra* ''Description of the Trust.''

[16] Interest on the Deposit Account accrues daily at an initial annual nominal rate of Euro Overnight Index Average (''EONIA'') minus 27 basis points, and is paid monthly. EONIA is calculated by the European Central Bank and published by the European Banking Federation on TELERATE. EONIA is the effective overnight reference rate for the euro and is the benchmark for the competitive market interest rate to be paid to the Shareholders of the Trust. However, the Depository is free to invest the Trust's assets as it sees fit, and is entitled to any proceeds that exceed the interest payable to the Trust. *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

[17] The Exchange notes that the Commission has permitted the listing of prior securities products for which the underlying was a commodity or otherwise was not a security trading on a regulated market. *See, e.g,* Securities Exchange Act Release Nos. 50603 (October 28, 2004), 69 FR 64614 (November 5, 2004) (SR–NYSE–2004–22) (approving listing and trading on NYSE of StreetTRACK ® Gold Shares); 19133 (October 14, 1982), 47 FR 46946 (October 21, 1982) (SR–Phlx–81–4) (approving the listing of standardized options on foreign currencies); 36505 (November 22, 1995), 60 FR 61277 (November 29, 1995) (SR–Phlx–95–42) (approving the listing of dollar-denominated delivery foreign currency options on the Japanese Yen); 36165 (August 29, 1995), 60 FR 46653 (September 7, 1995) (SR–NYSE–94–41) (approving listing standards for, among other things; currency and currency index warrants).

[18] Shareholders will not have the protections associated with ownership of a demand deposit account insured in the US by the Federal Deposit Insurance Corporation nor the protection provided under English law.

[19] *See* Securities Exchange Act Release No. 48745 (November 4, 2003), 68 FR 64154 (November 12, 2003) (SR–NYSE–2002–33, SR–NASD–2002–77, SR–NASD–2002–80, SR–NASD–2002–138, SR–NASD–2002–139, and SR–NASD–2002–141) (specifically noting that the corporate governance standards will not apply to, among others, passive business organizations in the form of trusts). *See also* Securities Exchange Act Release No. 47654 (April 9, 2003), 68 FR 18788 (April 16, 2003) (noting in section II(F)(3)(c) that ''SROs may exclude from Exchange Act Rule 10A–3's requirements issuers that are organized as trusts or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.'')

expenses that may arise from time to time. If that interest is not sufficient to fully pay the Sponsor's fee and Trust expenses, then the Trustee will sell deposited euro as needed.

The following additional expenses may be charged to the Trust: (1) Expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or interests of Shareholders; (2) indemnification of the Sponsor; (3) taxes and other governmental charges; and (4) expenses of the Trust other than those the Sponsor is obligated to pay pursuant to the Depositary Trust Agreement.

Under the Deposit Account Agreement, the Depository is entitled to invoice the Trustee or debit the Deposit Account for out-of-pocket expenses. The Trust has also agreed to reimburse the Depository for any taxes, levies, imposts, deductions, charges, stamp, transaction and other duties and withholdings in connection with the Deposit Account, except for such items imposed on the overall net income of the Depository. Except for the reimbursable expenses just described, the Depository will not be paid a fee for its services to the Trust.

Description of the Shares. The Exchange states that the Shares are not a traditional investment. They are dissimilar from the ''shares'' of a corporation operating a business enterprise, with management and a board of directors. For example, the Exchange concludes that Trust Shareholders do not have rights normally associated with owning shares of a business corporation, including, for example, the right to bring ''oppression'' or ''derivative'' actions. Shareholders have only those rights explicitly set forth in the Depositary Trust Agreement. All Shares are of the same class with equal rights and privileges. Each Share is transferable, is fully paid and non-assessable, and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Depositary Trust Agreement (see ''Voting and Approvals,'' below). The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as provided below, any redemption or distribution rights.

Distributions. The Depositary Trust Agreement requires the Trustee to promptly distribute ''Surplus Property'' that are in USD and sell or convert all other Surplus Property into USD and distribute the proceeds. ''Surplus Property'' includes, among other things, interest on euro in the Deposit Account that the Trustee determines is not required to pay estimated Trust expenses within the following month. In addition, if the Trust is terminated and liquidated, then the Trustee will distribute to the Shareholders upon surrender of their Shares any amounts remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of such reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Trustee shall determine. All distributions will be made monthly in USD. The Trustee will effectuate the conversion and will determine the exchange rate, which will be proximate to the Noon Buying Rate on the record date for the distribution. Shareholders of record on the record date fixed by the Trustee for any distribution will be entitled to receive their pro-rata portion of the distribution.[20]

Liquidity. 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 euro markets and the NYSE. The period of greatest liquidity in the euro market is typically that time of the day when trading in the European time zones overlap with trading in the US, which is when over-the-counter market trading in London, New York, and other centers coincides with futures and options trading on the euro. While the Shares will trade on the NYSE until 4:15 p.m. (New York time), liquidity in the over-the-counter market for euro will be slightly reduced after the close of the London foreign currency markets.

Because of the potential for arbitrage inherent in the structure of the Trust, the Sponsor believes that the Shares will not trade at a material discount or premium to the value of underlying euro held by the Trust. The arbitrage process, which, in general, provides investors the opportunity to profit from differences in prices of assets, increases the efficiency of the markets, serves to prevent potentially manipulative efforts, and can be expected to operate efficiently in the case of the Shares and euro. If the price of the Shares deviates enough from the price of euro to create a material discount or premium, an arbitrage opportunity is created. If the Shares are inexpensive compared to the euro that underlies them, an Authorized Participant, either on its own behalf or acting as agent for investors, arbitrageurs, or traders, may buy the Shares at a discount, immediately redeem them in exchange for euro, and sell the euro in the cash market at a profit. If the Shares are expensive compared to the euro that underlies them, an Authorized Participant may sell the Shares short, buy enough euro to create the number of Shares sold short, acquire the Shares through the creation process, and deliver the Shares to close out the short position.[21] In both instances, the arbitrageur serves efficiently to correct price discrepancies between the Shares and the underlying euro.

Voting and Approvals. Shareholders have no voting rights under the Depositary Trust Agreement, except in limited circumstances. If the holders of at least 25% of the Shares outstanding determine that the Trustee is in material breach of its obligations under the Depositary Trust Agreement, they may provide written notice to the Trustee (or require the Sponsor to do so) specifying the default and requiring the Trustee to cure such default. If the Trustee fails to cure such breach within 30 days after receipt of the notice, the Sponsor, acting on behalf of the Shareholders, may remove the Trustee. The holders of at least 66⅔% of the Shares outstanding may vote to remove the Trustee. The Trustee must terminate the Trust at the request of the holders of at least 75% of the outstanding Shares.

Book-Entry Form. The Sponsor and the Trustee will apply to DTC for acceptance of the Shares in its book-entry settlement system. If the Shares are eligible for book-entry settlement, all Shares will be evidenced by global certificates issued by the Trustee to DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates will evidence all of the

[20] On the last calendar day of each month, the Depository will deposit into the Deposit Account the accrued but unpaid interest for that month and pay the accrued Sponsor's fee for the month plus any other Trust expenses. If the last calendar day of the month is not a business day, the deposit of interest and payment of the Sponsor's fee and expenses will be made on the next following business day. In the event that the interest deposited exceeds the sum of the Sponsor's fees for the month plus other Trust expenses, if any, then the Trustee shall convert the excess into dollars based on the Noon Buying Rate and distribute the dollars promptly to Shareholders of record on the last calendar day of the month, on a pro rata basis (in accordance with the number of Shares that they own). The distribution per Share shall be rounded down to the nearest penny, and any excess remaining after the rounding shall be retained by the Trust in euro.

[21] The Exchange notes that the Trust, which will only hold euro as an asset in the normal course of its operations, differs from index-based exchange-traded funds, which may involve a trust holding hundreds or even thousands of underlying component securities, necessarily involving in the arbitrage process movements in a large number of security positions. *See, e.g.*, Securities Exchange Act Release No. 46306 (August 2, 2002), 67 FR 51916 (August 9, 2002) (SR–NYSE–2002–28) (approving the UTP trading of, among other things, Vanguard Total Market VIPERs based on the Wilshire 5000 Total Market Index).

Shares outstanding at any time. In order to transfer Shares through DTC, Shareholders must be DTC Participants. The Shares will be transferable only through the book-entry system of DTC. A Shareholder that is not a DTC Participant will be able to transfer its Shares through DTC by instructing the DTC Participant holding its Shares. Transfers will be made in accordance with standard securities industry practice.

Issuance of the Shares

The Trust creates and redeems Shares in Baskets on a continuous basis. Each Share will initially represent 100 euro.[22] A Basket is a block of 50,000 Shares. The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of euro represented by the Baskets being created or redeemed. This amount is based on the combined NAV per Share of the number of Shares included in the Baskets being created or redeemed, determined on the day the order to create or redeem Baskets is properly received. The number of Shares outstanding is expected to increase and decrease from time to time as a result of the creation and redemption of Baskets. Authorized Participants pay for Baskets with euro. Shareholders pay for Shares with U.S. dollars.

The Trustee expects to determine the NAV of the Trust between 12 p.m. and 2 p.m. (New York time) each business day.[23] In doing so, the Trustee values the euro held by the Trust on the basis of the Noon Buying Rate, which is the USD/euro exchange rate as determined by the Federal Reserve Bank of New York as of 12 p.m. (New York time) on each day that the NYSE is open for regular trading.[24] If, on a particular business day, the Noon Buying Rate has not been determined and announced by 2 p.m. (New York time), then the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate shall be used to determine the value of the euro held by the Trust, unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for such valuation. In the event that the Trustee and the Sponsor determine that the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate is not an appropriate basis for valuation of the Trust's euro, they shall determine an alternative basis for such evaluation to be employed by the Trustee.

To calculate the NAV of the Trust, the Trustee will subtract the Sponsor's accrued fee for the current day from the euro held by the Trust (including all unpaid interest accrued through the immediately preceding day). The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares.[25] The NAV will be posted on the Trust Web site as soon as the valuation of the euro held by the Trust is complete (ordinarily by 2 p.m. (New York time)). Ordinarily, it will be posted no more than thirty minutes after the Noon Buying Rate is published by the Federal Reserve Bank of New York. All market participants will have access to this data at the same time and, therefore, no market participant will have a time advantage in using such data.

Creation and Redemption

Authorized Participants, which have entered into a Participation Agreement with the Sponsor and the Trustee, are the only entities that may place orders to create and redeem Baskets. An Authorized Participant is a DTC Participant that is registered as a broker-dealer under the Exchange Act and will be regulated by the National Association of Securities Dealers, Inc., or else will be exempt from being (or otherwise will not be required to be) so registered or regulated, and will be qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Participants may be regulated under federal and state banking laws and regulations. The Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of euro required for creations and redemptions. Authorized Participants pay a transaction fee of $500 to the Trustee for each order that they place to create or redeem one or more Baskets. The transaction fee may be reduced or, with the consent of the Sponsor, increased. The Trustee shall notify DTC of any agreement to change the transaction fee and will not implement any increase in the fee for the redemption of Baskets until thirty days after the date of the notice. Authorized Participants may sell to other investors all or part of the Shares included in the Baskets that they purchase from the Trust. Authorized Participants who make deposits with the Trust in exchange for Baskets receive no fees, commissions, or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

Certain Authorized Participants are expected to have the facilities to participate directly in the global foreign exchange market. In some cases, an Authorized Participant may acquire euro from, or sell euro to, an affiliated foreign exchange trading desk, which may profit in these instances. The Sponsor believes that the size and operation of the foreign exchange market make it unlikely that an Authorized Participant's direct activities in the foreign exchange and securities markets will impact the price of euro or the price of Shares. Each Authorized Participant will have its own set of rules and procedures, internal controls, and information barriers as it determines to be appropriate in light of its own regulatory regime.

Authorized Participants may act for their own accounts or as agents for broker-dealers, depositories, and other securities or foreign currency market participants that wish to create or redeem Baskets. An order for one or more Baskets may be placed by an Authorized Participant on behalf of multiple clients.

Creation Orders. In order to create a Basket, the Authorized Participant deposits the Basket Euro Amount [26] with the Depository and orders Shares from the Trustee.[27] The Trustee directs

[22] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

[23] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

[24] The Trustee and the Sponsor may determine to apply an alternative basis for evaluation in extraordinary circumstances, such as if the Federal Reserve Bank of New York does not announce a Noon Buying Rate, or discontinues such announcements, of if there is an extraordinary change in the spot price of euro after the Noon Buying Rate is established. In the event the Sponsor and Trustee determine to use, on a regular and ongoing basis, a source other than the Noon Buying Rate, the Exchange will make an appropriate filing pursuant to Rule 19b–4 under the Exchange Act.

[25] Shares deliverable under a purchase order will be considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order will not be considered outstanding for this purpose.

[26] The total deposit required to create each Basket, called the Basket Euro Amount, is an amount of euro bearing the same proportion to the number of Baskets to be created as the total assets of the Trust (net of estimated accrued but unpaid expenses) bears to the total number of Baskets outstanding on the date that the order to purchase is properly received. The amount of the required deposit is determined by dividing the number of euro held by the Trust (net of estimated accrued but unpaid expenses) by the number of Baskets outstanding.

[27] The Trustee shall determine the Basket Euro Amount ''as promptly as practicable'' after the

DTC to credit Shares to the Authorized Participant. The Authorized Participant will then be able to sell Shares to Purchasers on the NYSE or any other market in which the Shares may trade.

An Authorized Participant who places a purchase order is responsible for delivering the Basket Euro Amount to the Deposit Account by 2:30 p.m. (Central European time) on the third business day after the purchase order date. Authorized Participants will use the SWIFT system to make timely deposits through their bank correspondents in London. Upon receipt of the euro deposit of an Authorized Participant, the Trustee will direct DTC to credit the number of Baskets ordered to the Authorized Participant's DTC account. The expense and risk of delivery, ownership, and safekeeping of euro until such euro have been received by the Depository shall be borne solely by the Authorized Participant.

Redemption Orders. In order to redeem Shares, an Authorized Participant must send the Trustee a Redemption Order specifying the number of Baskets (*e.g.*, 50,000 Shares) that the Authorized Participant wishes to redeem. The Trustee then instructs the Depository to send the Authorized Participant euro and directs DTC to cancel the Authorized Participant's Shares that were redeemed.

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place an order with the Trustee to redeem one or more Baskets. Redemption orders must be placed by 4 p.m. (New York time) or the close of regular trading on the NYSE, whichever is earlier. A redemption order so received is effective on the date it is received in satisfactory form by the Trustee. The redemption procedures allow Authorized Participants to redeem Baskets and do not entitle an individual Shareholder to redeem any Shares in an amount less than a Basket or to redeem Baskets other than through an Authorized Participant.

The redemption distribution due from the Trust is delivered to the Authorized Participant on the third business day after the redemption order date if, by 2:30 p.m. (Central European time) on the third business day after the redemption order date, the Trustee's DTC account has been credited with the Baskets to be redeemed. If the Trustee's DTC account has not been credited with all of the Baskets to be redeemed by that time, then the redemption distribution is delivered to the extent of whole Baskets received. Any remainder of the redemption distribution is delivered on the next business day to the extent of remaining whole Baskets received if the Trustee receives the fee applicable to the extension of the redemption distribution date that the Trustee may, from time to time, determine, and the remaining Baskets to be redeemed are credited to the Trustee's DTC account by 2:30 p.m. (Central European time) on such next business day. Any further outstanding amount of the redemption order will be cancelled.[28]

Clearance and Settlement

If the Shares are eligible for book-entry settlement, individual certificates will not be issued for the Shares. Instead, global certificates will be signed by the Trustee and the Sponsor on behalf of the Trust, registered in the name of Cede & Co., as nominee for DTC, and deposited with the Trustee on behalf of DTC. The representations, undertakings, and agreements made on the part of the Trust in the global certificates will be made and intended for the purpose of binding only the Trust and not the Trustee or the Sponsor individually.

Upon the settlement date of any creation, transfer, or redemption of Shares, DTC will credit or debit, on its book-entry registration and transfer system, the amount of the Shares so created, transferred, or redeemed to the accounts of the appropriate DTC Participants. The Trustee and the Authorized Participants will designate the accounts to be credited and charged in the case of creation or redemption of Shares.

Beneficial ownership of the Shares is limited to DTC Participants, Indirect Participants,[29] and persons holding interests through DTC Participants and Indirect Participants. Ownership of beneficial interests in the Shares will be shown on, and the transfer of ownership will be effected only through, records maintained by DTC (with respect to DTC Participants), the records of DTC Participants (with respect to Indirect Participants), and the records of Indirect Participants (with respect to Shareholders that are not DTC Participants or Indirect Participants). A Shareholder is expected to receive from or through the DTC Participant maintaining the account through which the Shareholder purchased its Shares a written confirmation relating to the purchase.

Risk Factors to Investing in the Shares

An investment in the Shares carries certain risks. The following risk factors are taken from and discussed in more detail in the Registration Statement.

- The value of the Shares relates directly to the value of the euro held by the Trust. Fluctuations in the price of the euro could materially and adversely affect the value of the Shares.
- The USD/euro exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the performance of the Shares.
- The Deposit Account is not entitled to payment at any office of JP Morgan Chase Bank, N.A. located in the US.
- Shareholders will not have the protections associated with ownership of a demand deposit account insured in the U.S. by the Federal Deposit Insurance Corporation nor the protection provided under English law.
- Euro held in the Deposit Account will not be segregated from the Depository's assets. If the Depository becomes insolvent, then its assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant. In addition, in the event of the insolvency of the Depository or the U.S. bank of which it is a branch, there may be a delay and costs incurred in identifying the euro held in the Deposit Account.
- The Shares are a new securities product. Their value could decrease if unanticipated operational or trading problems were to arise.
- Shareholders will not have the protections associated with ownership of shares in an investment company registered under the 1940 Act.

Federal Reserve Bank of New York announces the Noon Buying Rate on each day that the NYSE is open for regular trading. Ordinarily, this will occur by 2 p.m. (New York time). The Basket Euro Amount will be published on the Trust's Web site every day the NYSE is open for regular trading. The Basket Euro Amount will be published simultaneously with the NAV, between 12 p.m. and 2 p.m. (New York time). *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

[28] The Trustee also is authorized to deliver the redemption distribution notwithstanding that the Baskets to be redeemed are not credited to the Trustee's DTC account by 2:30 p.m. (Central European time) on the third business day after the redemption order date if the Authorized Participant has collateralized its obligation to deliver the Baskets through DTC's book-entry system on such terms as the Sponsor and the Trustee may agree upon from time to time. The Trustee will reject a redemption order if the order is not in proper form as described in the Participant Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful.

[29] ''Indirect Participants'' are defined in the Registration Statement as ''[t]hose banks, brokers, dealers, trust companies and others that maintain, either directly or indirectly, a custodial relationship with a DTC Participant.'' *See* Amendment No. 2 to Registration No. 333–125581.

• Shareholders will not have the rights enjoyed by investors in certain other financial instruments.

• The Shares may trade at a price which is at, above, or below the NAV per Share.

• The interest rate earned by the Trust, although competitive, may not be the best rate available. If the Sponsor determines that the interest rate is inadequate, then its sole recourse will be to remove the Depositary and terminate the Deposit Account.

• The possible sale of euro by the Trust to pay expenses, if required, will reduce the amount of euro represented by each Share on an ongoing basis regardless of whether the price of a Share rises or falls in response to changes in the price of the euro.

• The sale of the Trust's deposited euro, if necessary, to pay expenses at a time when the price of the euro is relatively low could adversely affect the value of the Shares.

• The Depository owes no fiduciary duties to the Trust or the Shareholders, is not required to act in their best interest and could resign or be removed by the Sponsor, triggering early termination of the Trust.

• The Trust may be required to terminate and liquidate at a time disadvantageous to Shareholders.

• Redemption orders are subject to rejection by the Trustee under certain circumstances.

• Substantial sales of euro by the official sector could adversely affect an investment in the Shares.

• Shareholders that are not Authorized Participants may only purchase or sell their Shares in secondary trading markets.

• The liability of the Sponsor and the Trustee under the Depositary Trust Agreement is limited, and, except as set forth in the Depositary Trust Agreement, they are not obligated to prosecute any action, suit or other proceeding in respect to any Trust property.

• The Depositary Trust Agreement may be amended to the detriment of Shareholders without their consent.

• The License Agreement with the Bank of New York may be terminated by the Bank of New York in the event of a material breach by the Sponsor. Termination of the License Agreement might lead to early termination and liquidation of the Trust.

Availability of Information Regarding Euro Prices

Currently, the Consolidated Tape Plan does not provide for dissemination of the spot price of a foreign currency, such as euro, over the Consolidated Tape. However, the last sale price for the Shares will be disseminated over the Consolidated Tape, as is the case for all equity securities traded on the Exchange (including exchange-traded funds). In addition, there is a considerable amount of euro price and euro market information available on public Web sites and through professional and subscription services. As is the case with equity securities generally and exchange-traded funds specifically, in most instances, real-time information is only available for a fee, and information available free of charge is subject to delay (typically, 15 to 20 minutes).

Investors may obtain on a 24-hour basis euro pricing information based on the euro spot price from various financial information service providers. Current spot prices are also generally available with bid/ask spreads from foreign exchange dealers. Complete real-time data for euro futures and options prices traded on the CME and Phlx are also available by subscription from information service providers. The CME and Phlx also provide delayed futures and options information on current and past trading sessions and market news free of charge on their respective Web sites.

There are a variety of other public Web sites that provide information on foreign currency and the euro, such as Bloomberg (*http://www.bloomberg.com/markets/currencies/eurafr_currencies.html*), which regularly reports current foreign exchange pricing for a fee. Other service providers include CBS Market Watch (*http://www.marketwatch.com/tools/stockresearch/globalmarkets*) and Yahoo! Finance (*http://finance.yahoo.com/currency*). Many of these sites offer price quotations drawn from other published sources, and as the information is supplied free of charge, it generally is subject to time delays.[30] Like bond securities traded in the over-the-counter market with respect to which pricing information is available directly from bond dealers, current euro spot prices are also generally available with bid/ask spreads from foreign currency dealers.[31]

In addition, the Trust's Web site will provide the following information: (1) The euro spot price,[32] including the bid and offer and the midpoint between the bid and offer for the euro spot price, updated every 5 to 10 seconds,[33] which is an essentially real-time basis; (2) an intraday indicative value (''IIV'') per share for the Shares calculated by multiplying the indicative spot price of euro by the quantity of euro backing each Share, on a 5 to 10 second delay basis; [34] (3) a delayed indicative value (subject to a 20 minute delay), which is used for calculating premium/discount information; (4) premium/discount information, calculated on a 20 minute delayed basis; (5) the NAV of the Trust as calculated each business day by the Sponsor; (6) accrued interest per Share; (7) the daily Federal Reserve Bank of New York Noon Buying Rate; (8) the Basket Euro Amount; and (9) the last sale price (under symbol FXE) of the Shares as traded in the U.S. market, subject to a 20-minute delay, as it is provided free of charge.[35] The Exchange will provide on its own public Web site (*http://www.nyse.com*) a link to the Trust's Web site. The market prices for the Shares will also be available from a variety of sources, including brokerage firms, financial information Web sites, and other information service providers.

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[30] There may be incremental differences in the euro spot price among the various information service sources. While the Exchange believes the differences in the euro spot price may be relevant to those entities engaging in arbitrage or in the active daily trading of euro or foreign currency derivatives, the Exchange believes such differences are likely of less concern to individual investors intending to hold the Shares as part of a long-term investment strategy.

[31] *See, e.g.*, Securities Exchange Act Release No. 46252 (July 24, 2002), 67 FR 49715 (July 31, 2002) (SR–Amex–2001–35) (noting that quote and trade information regarding debt securities is widely available to market participants from a variety of sources, including broker-dealers, information service providers, newspapers and Web sites).

[32] The Trust Web site's euro spot price will be provided by The Bullion Desk (*http://www.thebulliondesk.com*). The NYSE will provide a link to the Trust Web site. The Bullion Desk is not affiliated with the Trust, Trustee, Sponsor, Depository, Distributor, or the Exchange. In the event that the Trust's Web site should cease to provide this euro spot price information from an unaffiliated source and the intraday indicative value of the Shares, the NYSE will commence delisting proceedings for the Shares.

[33] The midpoint will be calculated by the Sponsor. The midpoint is used for purposes of calculating the premium or discount of the Shares. Assuming a euro spot bid of $1.2235 and an offer of $1.2236, the midpoint would be calculated as follows:(Euro spot bid plus ((euro spot offer minus euro spot bid) divided by 2)) or ($1.2235 + (($1.2236–$1.2235)/2)) = $1.22355

[34] The intraday indicative value of the Shares is analogous to the intraday optimized portfolio value (sometimes referred to as the IOPV), indicative portfolio value, and the intraday indicative value (sometimes referred to as the IIV) associated with the trading of exchange-traded funds. *See, e.g.*, Securities Exchange Act Release No. 46686 (October 18, 2002), 67 FR 65388 (October 24, 2002) (SR–NYSE–2002–51) for a discussion of indicative portfolio value in the context of an exchange-traded fund. The Trust's Web site is expected to indicate that the intraday indicative value and euro spot prices are subject to an average delay of 5 to 10 seconds.

[35] The last sale price of the Shares in the secondary market is available on a real-time basis for a fee from regular data vendors.

Other Characteristics of the Shares

General Information. A minimum of three Baskets, representing 150,000 Shares, will be outstanding at the commencement of trading on the Exchange. Each Share initially represents 100 euro, and the value of Shares outstanding at the start of trading will be approximately 15,000,000 euro.[36]

Trading in Shares on the Exchange will be effected normally until 4:15 p.m. (New York time) each business day. The minimum trading increment for Shares on the Exchange will be $0.01.

Listing Fees. The Exchange original listing fee applicable to the listing of the Trust will be $5,000. The annual continued listing fee for the Trust will be $2,000.

Continued Listing Criteria. Under the applicable continued listing criteria, the Shares may be delisted if: (1) Following the initial twelve-month period beginning upon the commencement of trading of the Shares, there are fewer than 50 record and/or beneficial holders of the Shares for 30 or more consecutive trading days; (2) the value of euro is no longer calculated or available on at least a 15-second delayed basis from a source unaffiliated with the Sponsor, the Trust, the Trustee, or the Exchange, or the Exchange stops providing a hyperlink on the Exchange's Web site to any such unaffiliated euro value; (3) the IIV is no longer made available on at least a 15-second delayed basis; or (4) such other event shall occur or condition exist that, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable. In addition, the Exchange will remove Shares from listing and trading upon termination of the Trust.

Exchange Trading Rules and Policies. The Shares are considered ''securities'' pursuant to NYSE Rule 3 and are subject to all applicable trading rules. The Exchange's surveillance procedures will be comparable to those used for investment company units currently trading on the Exchange and will incorporate and rely upon existing NYSE surveillance procedures governing equities.

The Exchange hereby proposes to adopt new NYSE Rule 1300A (''Currency Trust Shares'') to deal with issues related to the trading of the Shares. Specifically, for purposes of NYSE Rules 13 (''Definitions of Orders''), 36.30 (''Communications Between Exchange and Members' Offices: Specialist Post Wires''), 98 (''Restrictions on Approved Person Associated with a Specialist's Member Organization''), 104 (''Dealings by Specialists''), 105(m) (''Specialists' Interest in Pools, Options, and Single Stock Futures: Specialist Shall Not Be Options or Single Stock Futures Market-Maker''), 460.10 (''Specialists Participating in Contests''), 1002 (''Availability of Automatic Execution Feature''), and 1005 (''Orders May Not Be Broken Into Smaller Amounts'') the Shares will be treated the same as Investment Company Units.[37] When these Rules discuss Investment Company Units, references to the word ''index'' (or derivative or similar words) will be deemed to be references to the applicable currency spot price, and reference to the word ''security'' (or derivative or similar words) will be deemed to be references to the Currency Trust Shares. The term ''applicable non-US currency'' as used in proposed NYSE Rules 1300A and 1301A, is defined as the currency held by the Trust for a particular issue of Currency Trust Shares. Proposed NYSE Rules 1300A and 1301A are intended to accommodate possible future listings of trusts based on non-US currencies in addition to the euro. Any Exchange listing of an issue of Currency Trust Shares will be subject to approval of a proposed rule change by the Commission pursuant to section 19(b)(2) of the Exchange Act [38] and Rule 19b–4 [39] thereunder.

The Exchange does not currently intend to exempt Currency Trust Shares from the Exchange's ''Market-on-Close/Limit-on-Close/Pre-Opening Price Indications'' Policy, although the Exchange may do so by means of a rule change in the future if, after having experience with the trading of the Shares, the Exchange believes such an exemption is appropriate.

The Exchange is proposing to adopt new NYSE Rule 1301A (''Currency Trust Shares: Securities Accounts and Orders of Specialists'') to ensure that specialists handling Currency Trust Shares provide the Exchange with all necessary information relating to their trading in the applicable non-U.S. currency, options, futures contracts and options thereon or any other derivative on such currency.[40] As a general matter, the Exchange has regulatory jurisdiction over its member organizations and any person or entity controlling a member organization. The Exchange also has regulatory jurisdiction over a subsidiary or affiliate of a member organization that is in the securities business. A member organization subsidiary or affiliate that does business only in commodities would not be subject to NYSE jurisdiction, but the Exchange could obtain certain information regarding the activities of such subsidiary or affiliate through reciprocal agreements with regulatory organizations of which such subsidiary or affiliate is a member.

Surveillance. The Exchange's surveillance procedures will be comparable to those used for Investment Company Units and streetTRACKS® Gold Shares and will incorporate and rely upon existing NYSE surveillance procedures governing equities. The Exchange represents that these procedures are adequate to monitor Exchange trading of the Shares and to detect violations of Exchange rules, thereby deterring manipulation.[41]

The Exchange's current trading surveillance focuses on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. The Exchange is able to obtain information regarding trading in the Shares, euro options, and euro futures through NYSE members, in connection with such members' proprietary or customer trades which they effect on any relevant market. In addition, the Exchange may obtain trading information via the Intermarket

[36] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005 (correcting the statement that each Share represents 100 euro, rather than 40 euro as previously stated).

[37] In particular, proposed NYSE Rule 1300A provides that NYSE Rule 105(m) is deemed to prohibit an equity specialist, his member organization, other member, allied member, or approved person in such member organization or officer or employee thereof from acting as a market maker or functioning in any capacity involving market-making responsibilities in the applicable non-US currency, options, futures, or options on futures on such currency, or any other derivatives based on such currency, except as otherwise provided therein.

[38] 15 U.S.C. 78s(b)(2).

[39] 17 CFR 240.19b–4.

[40] Proposed NYSE Rule 1301A also states that, in connection with trading the applicable non-US currency, options, futures, or options on futures, or any other derivatives on such currency (including Currency Trust Shares), the specialist shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the applicable non-US currency, options, futures, or options on futures, or any other derivatives on such currency. For purposes of proposed NYSE Rule 1301A, ''person associated with a member'' shall have the same meaning ascribed to it in section 3(a)(21) of the Exchange Act.

[41] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

Surveillance Group (''ISG'') from other exchanges who are members or affiliates of the ISG. Specifically, the NYSE can obtain such information from the Phlx in connection with euro options trading on the Phlx and from the CME and LIFFE in connection with euro futures trading on those exchanges.[42]

Trading Halts. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. Trading on the Exchange in the Shares may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which trading is not occurring in euro, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Shares is subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's ''circuit breaker'' rule.[43]

Due Diligence. Before a member, member organization, allied member, or employee thereof recommends a transaction in the Shares, such person must exercise due diligence to learn the essential facts relative to the customer pursuant to NYSE Rule 405, and must determine that the recommendation complies with all other applicable Exchange and federal rules and regulations. A person making such recommendation should have a reasonable basis for believing, at the time of making the recommendation, that the customer has sufficient knowledge and experience in financial matters that he or she may reasonably be expected to be capable of evaluating the risks and any special characteristics of the recommended transaction, and is financially able to bear the risks of the recommended transaction.

Information Memo. The Exchange will distribute an Information Memo to its members in connection with the trading in the Shares. The Information Memo will discuss the special characteristics and risks of trading this type of security. Specifically, the Information Memo, among other things, will discuss what the Shares are, that Shares are not individually redeemable but are redeemable only in Baskets of 50,000 shares or multiples thereof, how a Basket is created and redeemed, applicable Exchange rules, the indicative price of euro and IIV, dissemination information, trading information, and the applicability of suitability rules.[44] The Information Memo will also state that the number of euro required to create a Basket or to be delivered upon redemption of a Basket may gradually decrease over time in the event that the Trust is required to sell deposited euro to pay the Trust's expenses, and that if done at a time when the price of the euro is relatively low, it could adversely affect the value of the Shares.[45] The Information Memo will also reference the fact that there is no regulated source of last sale information regarding euro, and that the Commission has no jurisdiction over the trading of euro. Finally, the Information Memo will also note to members language in the Registration Statement regarding prospectus delivery requirements for the Shares.

2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under section 6(b)(5)[46] that an Exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.[47]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an e-mail to *rule-comments@sec.gov*. Please include File Number SR–NYSE–2005–65 on the subject line.

Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549–9303.

All submissions should refer to File Number SR–NYSE–2005–65. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/sro/shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the

[42] Phlx is a member of ISG. CME and LIFFE are affiliate members of ISG.

[43] *See* NYSE Rule 80B.

[44] The Information Memo will also discuss exemptive relief granted by the Commission from certain rules under the Exchange Act. The applicable rules are: Rule 10a–1; Rule 200(g) of Regulation SHO; Section 11(d)(1) and Rule 11d1–2; and Rules 101 and 102 of Regulation M under the Exchange Act.

[45] *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 21, 2005.

[46] 15 U.S.C. 78f(b)(5).

[47] The NYSE has requested accelerated approval of this proposed rule change prior to the 30th day after the date of publication of notice of the filing thereof, following the conclusion of a 15-day comment period. *See* Telephone conference between Michael Cavalier, Assistant General Counsel, NYSE, and Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, Commission, on October 27, 2005.

Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal office of the NYSE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File number SR–NYSE–2005–65 and should be submitted by November 25, 2005.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[48]

Jonathan G. Katz,

Secretary.

[FR Doc. 05–22413 Filed 11–9–05; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–52738; File No. SR–NYSE–2004–39]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Partial Amendment No. 1 To Amend Exchange Rule 431 (Margin Requirements)

November 4, 2005.

Pursuant to section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the ''Exchange Act'')[2] and Rule 19b–4 thereunder,[3] notice is hereby given that on July 12, 2004, the New York Stock Exchange, Inc. (the ''Exchange'' or ''NYSE'') filed with the Securities and Exchange Commission (''SEC'' or the ''Commission'') the proposed rule change and on September 29, 2005, filed a partial amendment to its proposed rule change[4] as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing amendments to Rule 431 (Margin Requirements) that will recognize specific additional complex option spread strategies and set margin requirements commensurate with the risk of such spread strategies. These complex spread strategies are a combination of two or more basic option spreads that are already covered under Exchange Rule 431. In addition, the Exchange is proposing the elimination of the two-dollar standard exercise price interval limitation for listed options and certain terminology with respect to ''permitted offsets,'' as defined in its Rule.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 12, 2004, the Exchange filed with the Securities and Exchange Commission proposed rule change to Rule 431, filed as SR–NYSE–2004–39, that would recognize specific additional complex option spread strategies and set margin requirements commensurate with the risk of such spread strategies. The purpose of this filing is to amend SR–NYSE–2004–39.[5]

These complex spread strategies are a combination of two or more basic option spreads that are already covered under Exchange Rule 431. In addition, the Exchange is proposing the elimination of the two-dollar standard exercise price interval limitation for listed options and certain terminology with respect to ''permitted offsets'' as defined in Rule 431.

Background

Rule 431 prescribes minimum maintenance margin requirements for customer accounts held at members and member organizations. In April 1996, the Exchange established a Rule 431 Committee (the ''Committee'') to assess the adequacy of Rule 431 on an ongoing basis, review margin requirements, and make recommendations for change. The Exchange's Board of Directors has approved a number of proposed amendments resulting from the Committee's recommendations since it was established. Similarly, the Committee has recommended the proposed amendments discussed below. The proposed amendments described below have been developed in conjunction with the Chicago Board Options Exchange (''CBOE'').

Complex Option Spreads

The Exchange is proposing amendments to Rule 431 to recognize certain additional complex option spread strategies that are the net result of combining two or more spread strategies that are currently recognized in the Exchange's margin rules. The netting of contracts in option series common to each of the currently recognized spreads in an aggregation reduces it to the complex spread strategies noted below.

Basic option spreads can be paired in such ways that they offset each other in terms of risk. The total risk of the combined spreads is less than the sum of the risk of both spread positions if viewed as stand-alone strategies. The specific complex spread strategies listed below are structured using the same principles as, and are essentially expansions of, the advanced spreads currently allowed in Rule 431.

Currently, Rule 431 recognizes and prescribes margin requirements for advanced spread strategies known as the ''butterfly spread'' [6] and the ''box

[48] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78s et seq.

[3] 17 CFR 240.19b–4.

[4] SR–NYSE–204–39: Amendment No. 1. The NYSE, in coordination with the Chicago Board Options Exchange, Incorporated (''CBOE''), filed the partial amendment to conform the complex options spreads strategies to which its rule amendments apply to those of the CBOE.

[5] At the request of the NYSE, the Commission staff clarified that the Exchange filed a partial amendment. Telephone conversation between Al Lucks, Managing Director, Member Firm Regulation, NYSE, and Matthew Comstock, Branch Chief, Division of Market Regulation (''Division''), on November 4, 2005.

[6] NYSE Rule 431(f)(2)(C) defines a ''butterfly spread'' as an aggregation of positions in three series of either puts or calls all having the same underlying component or index, and time of expiration, and based on the same aggregate current underlying value, where the interval between the exercise price of each series is equal, which positions are structured as either: (A) A ''long butterfly spread'' in which two short options in the same series are offset by one long option with a higher exercise price and one long option with a lower exercise price of (B) a ''short butterfly spread'' in which two long options in the same series offset one short option with a higher exercise

Continued