



## Information Circular: CurrencyShares Trusts

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

**From:** BX Listing Qualifications Department

**DATE:** January 15, 2009

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### Background Information on the Trusts

See Appendix A for a listing of CurrencyShares Trusts ("Trusts") that will commence trading on BX on a UTP basis on January 16, 2009. The Trusts are sponsored by Rydex Specialized Products LLC, d/b/a Rydex Investments (the "Sponsor"). As more fully explained in the registration statements filed by the Sponsor, on behalf of the Trusts, the Trusts are grantor trusts formed under the laws of the State of New York pursuant to Depositary Trust Agreements. The Trusts are not registered as investment companies under the Investment Company Act of 1940 ("1940 Act") and, according to the registration statements, are not required to be registered under the 1940 Act.

The shares ("Shares") of each Trust represent beneficial ownership interests in the underlying net assets of the issuing Trust, each consisting only of deposits of the currency denoted by the name of the issuing Trust, less the expenses of the Trust. According to the registration statements, the investment objective of each Trust is for the Shares to reflect the price of the underlying currency. It is expected that Share prices will fluctuate in response to fluctuations in the currency.

The Bank of New York is the trustee of the Trusts ("Trustee"), JPMorgan Chase Bank, N.A., London Branch, is the depository for the Trusts ("Depository"), and Rydex Distributors, Inc. is the distributor for the Trusts ("Distributor").

As described more fully in the registration statements, the Trusts create and redeem their Shares at their net asset value ("NAV") only in aggregations of 50,000 Shares (each, a "Basket"), in exchange for the amount of the underlying currency represented by the Baskets being created or redeemed. The Shares are redeemable only in whole Baskets, and in exchange for the underlying currency. Except when aggregated in Baskets, the Shares may not be redeemed with the Trusts. The registration statements for the Trusts describe the various fees and expenses for the Shares.

For a more complete description of the Trusts and the underlying currencies, visit [www.CurrencyShares.com](http://www.CurrencyShares.com).

## **Other Information about the Trusts**

The Trusts are subject to various fees and expenses described in the registration statements, and the amount of the underlying currencies required to create a Basket or to be delivered upon a redemption of a Basket may gradually decrease over time in the event that the Trusts are required to sell the underlying currencies to pay the Trusts' expenses. The underlying currencies held by the Trusts will only be sold (i) if needed to pay Trust expenses, (ii) in the event the Trust terminates and liquidates its assets or (iii) as otherwise required by law or regulation.

The Shares will be evidenced by one or more global certificates that the Trustee will issue to The Depository Trust Company ("DTC"). The Shares will be available only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The Trustee calculates the Trusts' NAV every day that the New York Stock Exchange ("NYSE") is open for regular trading (a "Business Day"). When calculating NAV, the Trustee values the underlying currencies held by the Trusts based on the Noon Buying Rate, which is the USD/currency specific exchange rate as determined by the Federal Reserve Bank of New York as of 12:00 p.m. (Eastern Standard Time) on each Business Day. If, on a particular day, the Noon Buying Rate has not been determined and announced by 2:00 p.m. (Eastern Standard Time), the Trustee will use the most recently announced Noon Buying Rate to determine the Trusts' NAV, unless the Trustee, in consultation with the Sponsor, determines to apply an alternative basis for evaluation as a result of extraordinary circumstances. The Trustee also determines the NAV per Share, which equals the NAV of each Trust divided by the number of outstanding Shares of each Trust.

The Sponsor publishes the NAV and NAV per Share each Business Day on the Trusts' website, [www.currencyshares.com](http://www.currencyshares.com). In addition, NAV is available to National Securities Clearing Corporation ("NSCC") participants through data made available from NSCC.

## **Availability of Information Regarding Currency Prices**

There is no regulated source of last sale information regarding the currencies and the Securities and Exchange Commission ("SEC") has no jurisdiction over the trading of the currencies. Currently, the Consolidated Tape Association ("CTA") does not provide for the dissemination of the spot price of the underlying currencies over its facilities. The last sale price for the Shares, however, will be disseminated over the CTA. Market prices for the Shares will be available from a variety of sources, including brokerage firms, financial information websites, and other information service providers.

Investors may obtain, on a 24-hour basis, foreign exchange pricing information based on the currency spot price from various financial information service providers. Current currency spot prices are generally available with bid/ask spreads from foreign exchange dealers. Complete realtime data for currency futures and options prices traded on the Chicago Mercantile Exchange ("CME") and the Philadelphia Stock Exchange ("Phlx") are 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 websites.

There are a variety of other public websites that provide information on foreign currency, such as Bloomberg ([www.bloomberg.com/markets/currencies/eurafrcurrencies.html](http://www.bloomberg.com/markets/currencies/eurafrcurrencies.html)), which regularly reports current foreign exchange pricing for a fee. Other service providers include CBS Market Watch ([www.marketwatch.com/tools/stockresearch/global](http://www.marketwatch.com/tools/stockresearch/global) markets) 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 (typically, 15 to 20 minutes).

In addition to the NAV of the Trusts and the NAV per Share, the Trusts' website, which is publicly accessible at no charge, provides the following information: (i) the currency spot prices, including the bid and offer and the midpoint between the bid and offer for each currency spot price, updated every 5 to 10 seconds, (ii) an intraday indicative value ("IIV") per Share calculated by multiplying the indicative spot price of the underlying currency by the quantity of the underlying currency backing each Share, on a 5 to 10-second delayed basis; (iii) a 20-minute delayed basis indicative value, which is used for calculating premium/discount information; (iv) premium/discount information, calculated on a 20-minute delayed basis; (v) accrued interest per Share; (vi) the daily Noon Buying Rate; (vii) the Basket Currency Amount; and (viii) the last sale price of the Shares as traded in the U.S. market, subject to a 20-minute delay.

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

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

### **Principal Risks**

Interested persons are referred to the discussion in the prospectus for a Trust of the principal risks of an investment in that Trust. These include, but are not limited to, the following:

- The value of the Shares relates directly to the value of the underlying currency held by the Trust. Fluctuations in the price of the underlying currency could materially and adversely affect the value of the Shares.
- The USD/foreign currency 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 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.
- The Shares may trade at a price which is at, above, or below the NAV per Share.
- The possible sale of the underlying currency by the Trusts to pay expenses, if required, will reduce the amount of currencies 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 underlying currency.

- The sale of the Trusts' deposited currency, if necessary, to pay expenses at a time when the price of the currency is relatively low could adversely affect the value of the Shares.
- Substantial sales of the underlying currency by the official sector could adversely affect an investment in the Shares.

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

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

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

**Information Barriers** — Market Makers must establish adequate information barriers when engaging in inter-departmental communications and should refer to the NASD/NYSE Joint Memo on Chinese Wall Policies and Procedures in [NASD Notice to Members 91-45](#) for guidance on the minimum elements of adequate information barriers. For purposes of the Shares only, "inter-departmental" communications include communications to other departments within the same firm or the firm's affiliates that involve trading in an underlying commodity (in the case of the Shares, the applicable foreign currency), related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives. Market Makers are also responsible for establishing adequate written supervisory procedures regarding these and other commodity-related securities in which they make markets.

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

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

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

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

## **Trading Hours**

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

## **Suitability**

Trading in the Shares on BX will be subject to the provisions of BX Rule 2310. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the BX Conduct Rules.

Members also should review [NASD Notice to Members 03-71](#) for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

## **Trading Halts**

BX will halt trading in the Shares of a Trust in accordance with BX Rule 4120. The grounds for a halt under BX Rule 4120 include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, BX will stop trading the Shares of a Trust if the primary market de-lists the Shares.

## **Delivery of a Prospectus**

Consistent with the requirements of the Securities Act and the rules thereunder, investors purchasing Shares in the initial public offering and anyone purchasing Shares directly from the Trusts must receive a prospectus. In addition, Bx members are required to deliver a prospectus to all purchasers of newly-issued Shares (i.e. during the initial public offering). Members purchasing shares from the Trusts for resale to investors will deliver a prospectus to such investors.

Prospectuses may be obtained through the Trust's website at [www.currencyshares.com](http://www.currencyshares.com). The prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and

regulations of the SEC. For further information about the Trusts, please refer to the registration statement.

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

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

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of Shares of the above-mentioned Trusts to engage in secondary market transactions in such Shares during their participation in such a distribution. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Shares in Baskets during the continuous offering of Shares.

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

The SEC has taken a no-action position under Section 11(d)(1) that will permit broker-dealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. The SEC has also taken a no-action position under Section 11(d)(1) that broker-dealers (other than the Distributor) may treat Shares of the Trusts, for purposes of Rule 11d1-2, as "securities issued by a registered . . . open-end investment company as defined in the Investment Company Act" and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

The SEC has also taken a no-action position under Section 11(d) of the Exchange Act if an Authorized Participant ("AP") extends or maintains or arranges for the extension

or maintenance of credit on Shares in reliance on the class exemption granted in the Letter re: Derivative Products Committee of the Securities Industry Association ("SIA") (November 21, 2005), provided (1) that the AP does not receive from the Trust, directly or indirectly, any payment, compensation or other economic incentive to promote or sell the Shares to persons outside the Trust, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B), or (C); and (2) the AP does not extend, maintain or arrange for the extension or maintenance of credit to or for a customer on Shares before thirty days from the start of trading in the Shares (except as otherwise permitted pursuant to Rule 11d1-1). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Information Circular is not a statutory prospectus. BX members should consult the prospectus for a Trust and the Trusts' website at [www.currencyshares.com](http://www.currencyshares.com) for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- Will Slattery, BX Listing Qualifications, at 301.978.8088
- BX Office of General Counsel at 301.978.8400
- BX Market Sales at 800.846.0477

## Appendix A

<b>Exchange-Traded Fund</b>	<b>Symbol</b>	<b>CUSIP Number</b>
CurrencyShares Australian Dollar Trust	FXA	23129U 10 1
CurrencyShares British Pound Sterling Trust	FXB	231295 10 6
CurrencyShares Canadian Dollar Trust	FXC	23129X 10 5
CurrencyShares Euro Trust	FXE	23130C 10 8
CurrencyShares Swiss Franc Trust	FXF	23129V 10 9
CurrencyShares Mexican Peso Trust	FXM	23130H 10 7
CurrencyShares Swedish Krona Trust	FXS	23129R 10 8
CurrencyShares Japanese Yen Trust	FXY	23130A 10 2