

Act,⁷ which governs minor rule violation plans.

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

NYSE Arca 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 Act.

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

The Exchange neither solicited nor received comments on the proposal.

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 such proposed rule change, or

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

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 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-NYSEArca-2008-08 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2008-08. 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 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. 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-NYSEArca-2008-08 and should be submitted on or before February 26, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57227; File No. SR-NYSEArca-2008-12]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Pricing Information for Components Underlying Currency-Linked Securities

January 29, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 17, 2008, NYSE Arca, Inc. ("NYSE Arca" or "Exchange"), through its wholly owned subsidiary, NYSE Arca Equities, Inc. ("NYSE Arca Equities"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items

have been substantially 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 amend NYSE Arca Equities Rule 5.2(j)(6)(B)(III)(1), which sets forth the Exchange's initial listing criteria for Currency-Linked Securities,³ to permit the listing and trading of Currency-Linked Securities where the pricing information for one or more currencies comprising the Currency Reference Asset is the generally accepted forward price for the currency exchange rate in question. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.nyse.com>.

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

The Exchange proposes to amend NYSE Arca Equities Rule 5.2(j)(6)(B)(III)(1) to permit the listing of Currency-Linked Securities where the pricing information for some or all of the components of the Currency Reference Asset is the generally accepted forward price for the currency exchange rate in question. The ability for an issuer to use forward pricing information under proposed NYSE Arca Equities Rule 5.2(j)(6)(B)(III)(1)(b) for any component of a Currency Reference

³ Currency-Linked Securities are securities that provide for payment at maturity of a cash amount based on the performance of one or more currencies, or options or currency futures or other currency derivatives or Currency Trust Shares (as defined in NYSE Arca Equities Rule 8.202), or a basket or index of any of the foregoing ("Currency Reference Asset"). See NYSE Arca Equities Rule 5.2(j)(6).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁷ 17 CFR 240.19d-1(c)(2).

Asset would be restricted to the following currencies, based on high volumes of forward contract transactions in such currencies: U.S. Dollar, Euro, Japanese Yen, British Pound Sterling, Swiss Franc, Canadian

Dollar, Australian Dollar, Brazilian Real, Chinese Renminbi, Czech Koruna, Danish Krone, Hong Kong Dollar, Hungarian Forint, Indian Rupee, Indonesian Rupiah, Korean Won, Mexican Peso, Norwegian Krone, New

Zealand Dollar, Philippine Peso, Polish Zloty, Russian Ruble, Swedish Krona, South African Rand, Singapore Dollar, Taiwan Dollar, Thai Baht or New Turkish Lira. The volume in these currencies is as follows: ⁴

FX FORWARD AVERAGE DAILY VOLUME IN MILLIONS USD

Currency	2001	2004	2007	Average
U.S. Dollar	110,795	170,357	289,435	190,196
Euro	54,327	88,243	137,391	93,320
Japanese Yen	33,257	47,135	61,453	47,282
British Pound Sterling	16,826	31,338	46,274	31,479
Swiss Franc	6,637	11,307	21,186	13,043
Canadian Dollar	4,335	8,947	15,280	9,521
Australian Dollar	5,416	9,788	20,463	11,889
Brazilian Real	1,259	1,072	5,259	2,530
Chinese Renminbi	55	811	4,572	1,813
Czech Koruna	96	253	1,432	594
Danish Krone	888	1,347	2,841	1,692
Hong Kong Dollar	3,055	2,221	6,022	3,766
Hungarian Forint	28	308	1,357	564
Indian Rupee	428	1,531	5,815	2,591
Indonesian Rupiah	103	267	1,292	554
Korean Won	1,671	6,048	10,013	5,911
Mexican Peso	673	1,716	4,594	2,328
Norwegian Krone	1,187	2,543	6,498	3,409
New Zealand Dollar	579	1,462	6,639	2,893
Philippine Peso	73	232	1,123	476
Polish Zloty	439	483	2,644	1,189
Russian Ruble	52	253	1,253	519
Swedish Krona	3,207	4,158	8,543	5,303
South African Rand	825	1,122	3,458	1,802
Singapore Dollar	825	1,242	2,962	1,676
Taiwan Dollar	603	2,798	4,724	2,708
Thai Baht	231	490	847	523
New Turkish Lira	164	239	535	313
Total (divided by 2)	125,018	199,858	337,956	220,944

The Exchange states that the total amount of contracts reflected in the chart above is divided by two because each contract is denominated in two currencies. For example, one contract will reflect cross rates in two currencies: U.S. Dollar against Euro, Singapore Dollar against New Turkish Lira, etc. The daily notional turnover for the currency forward contracts reflected in the chart above ranged from US\$535 million to US\$289 billion in April 2007.

In addition, the forward price will be used for pricing purposes only to the extent that the Currency Reference Asset is based on the forward price. In the event a Currency Reference Asset is based on the forward price, and the forward price becomes unavailable due to a holiday, the spot price may be used for calculating the price of the component(s) comprising the Currency Reference Asset. The pricing information of such Currency Reference

Asset on the following business day must be the forward price. The Exchange states that this exception will permit certain hedged products that use forward pricing information to use the spot price, which is quoted in the United States, when the forward price, which is derived from the spot price, is unavailable due to a foreign holiday.

⁴ See Bank for International Settlements ("BIS"), *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 2007*, Statistical Annex Tables—Foreign Exchange

Markets (2007) ("2007 BIS Report"); BIS, *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 2004*, Statistical Annex Tables—Foreign Exchange Markets (2004);

and BIS, *Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 2001*, Statistical Annex Tables—Foreign Exchange Markets (2001).

The Exchange states that the foreign exchange market is predominantly an over-the-counter ("OTC") market with no fixed location, and it operates 24 hours a day, five 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, and

Japan. Other smaller markets include Singapore, Zurich, and Frankfurt.⁵ There are three major types of transactions in the traditional foreign exchange markets: spot transactions, outright forwards, and foreign exchange swaps. "Forward" trades are transactions involving the exchange of two currencies at a rate agreed on the date of the contract for value on delivery (cash settlement) at some time in the

future. These trades account for 12% of the reported daily volume. Forward rates are quoted among dealers in premiums or discounts from the spot rate.⁶ The premium or discount is measured in "points" that represent the interest rate differential between two currencies for the period of the forward, converted into foreign exchange.⁷ The generally accepted forward price is calculated as follows:⁸

$$\text{Forward Rate} = \text{Spot Rate} \times \frac{1 + \text{Terms Currency Interest Rate} \times \text{Forward Days/Interest Rate Year}}{1 + \text{Base Currency Interest Rate} \times \text{Forward Days/Interest Rate Year}}$$

$$\text{Points} = \text{Forward Rate} - \text{Spot Rate}$$

The Exchange states that the OTC foreign currency market is a very liquid market. In 2007, the average daily spot turnover accounted for over US\$1 trillion, and the average daily forward turnover accounted for US\$362 billion.⁹ In addition to liquidity, the Exchange states that the forward market is extremely transparent. Bloomberg, Reuters, and other major market information providers disseminate quotes for the forward market provided by OTC market makers.

The Exchange notes that most trading in the global OTC foreign currency markets is conducted by regulated financial institutions such as banks and broker-dealers. In addition, in the United States, 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 practices 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, the members of which include major international banking organizations, has also established best practices guidelines called the Model Code.¹⁰ Participants in the U.S. OTC market for foreign currencies are generally regulated by their oversight regulators. For example, participating banks are regulated by the banking authorities.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹² in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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 Act.

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

The Exchange states that it 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 such proposed rule change, or
- B. Institute proceedings to determine whether the proposed rule change should be disapproved.

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 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-NYSEArca-2008-12 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2008-12. 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

⁵ See generally Securities Exchange Act Release No. 55268 (February 9, 2007), 72 FR 7793 (February 20, 2007) (SR-NYSE-2007-03) (providing background and information relating to the foreign exchange markets).

⁶ See Sam Y. Cross, Federal Reserve Bank of New York, *All About . . . the Foreign Exchange Market in the United States*, at 38 (1998) (available at <http://www.newyorkfed.org/education/addpub/usfxm/>).

⁷ See *id.*

⁸ See *id.*

⁹ See 2007 BIS Report (Table 1), *supra* note 4.

¹⁰ See *supra* note 5.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

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 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. 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-NYSEArca-2008-12 and should be submitted on or before February 26, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57226; File No. SR-NYSEArca-2008-03]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change, Relating to Rules 5.3 and 5.4 To Enable Listing and Trading of Options on Multiple Fund and Inverse Fund Shares

January 29, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 8, 2008, NYSE Arca, Inc. (the "Exchange"), through its wholly-owned subsidiary, NYSE Arca Equities, Inc. ("NYSE Arca Equities"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items

have been substantially prepared by the Exchange. The Commission hereby provides notice of filing of the proposed rule change and approves the proposed rule change on an accelerated basis.

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

The Exchange proposes to revise NYSE Arca Rules 5.3 and 5.4 to enable listing and trading on the Exchange of options on Multiple Fund Shares and Inverse Fund Shares. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.nyse.com>.

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 III 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

The purpose of the proposed rule change is to revise NYSE Arca Rules 5.3 and 5.4 to enable the listing and trading on the Exchange of options on Multiple Fund Shares³ and Inverse Fund Shares.⁴ Multiple and Inverse Fund Shares differ from traditional exchange-traded fund shares ("Exchange-Traded Fund Shares" or "Fund Shares") in that they do not merely correspond to the performance of a given index, but rather attempt to match a multiple or inverse of such underlying index performance. Currently, Multiple Fund Shares issued by ProShares Trust and Rydex ETF Trust trade on the Exchange pursuant to unlisted trading privileges ("UTP")

³ Multiple Fund Shares seek to provide investment results, before fees and expenses, that correspond to a specific multiple of the percentage performance on a given day of a particular foreign or domestic stock index.

⁴ Inverse Fund Shares seek to provide investment results, before fees and expenses, that correspond to the inverse (opposite) of the percentage performance on a given day of a particular foreign or domestic stock index by a specified multiple.

under NYSE Arca Equities Rule 5.2(j)(3).⁵

In order to achieve investment results that provide either a positive multiple or inverse of the benchmark index, Multiple Fund Shares or Inverse Fund Shares may hold a combination of financial instruments, including among other things: stock index future contracts; options on futures; options on securities and indices; equity caps, collars and floors; swap agreements; forward contracts; repurchase agreements; and reverse repurchase agreements (the "Financial Instruments"). The underlying portfolios of Multiple Fund Shares generally will hold at least 85% of their assets in the component securities of the underlying relevant benchmark index. The remainder of any assets is devoted to Financial Instruments that are intended to create the additional needed exposure to such underlying index necessary to pursue its investment objective. Normally, 100% of the value of the underlying portfolios of Inverse Fund Shares will be devoted to Financial Instruments and money market instruments, including U.S. government securities and repurchase agreements (the "Money Market Instruments"). Currently, NYSE Arca Rule 5.3(g) provides securities deemed appropriate for options trading shall include shares or other securities that are traded on a national securities exchange and are defined as an "NMS Stock" under Rule 600 of Regulation NMS, and that (i) represent an interest in a registered investment company organized as an open-end management investment company, a unit investment trust or a similar entity which holds securities constituting or otherwise based on or representing an investment in an index or portfolio of securities, or (ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency deposited with the trust or a similar entity 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 pays the beneficial owner interest and other distributions on the deposited U.S. currency, if any, declared and paid by the trust; or (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or

⁵ See Securities Exchange Act Release Nos. 56763 (November 7, 2007), 72 FR 94103 (November 14, 2007) (SR-NYSEArca-2007-81); 56601 (October 2, 2007), 72 FR 57625 (October 10, 2007) (SR-NYSEArca-2007-79); 55125 (January 18, 2007), 72 FR 3462 (January 25, 2007) (SR-NYSEArca-2006-87); 54026 (June 21, 2006), 71 FR 36850 (June 28, 2006) (SR-PCX-2005-115).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.