

open market 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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the forgoing rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.¹² However, Rule 19b-4(f)(6)(iii)¹³ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal raises no new regulatory issues and is consistent with similar rules of the NYSE and Phlx. For this reason, the Commission designates the proposed rule change to be operative upon filing with the Commission.¹⁴

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires that a self-regulatory organization submit to the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has requested the Commission to waive this five-day pre-filing notice requirement. The Commission hereby grants this request.

¹³ *Id.*

¹⁴ For the purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within 60 days of the filing of such proposed rule change the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Act.

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-Amex-2007-78 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-Amex-2007-78. 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 the filing also will be available for inspection and copying at the principal office of Amex. 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-Amex-2007-78 and should be submitted on or before September 5, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56223; File No. SR-Amex-2007-60]

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of a Proposed Rule Change and Amendment No. 1 Thereto Relating to the Listing and Trading of Shares of Eight Funds of the ProShares Trust Based on International Equity Indexes

August 8, 2007.

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 June 15, 2007, the American Stock Exchange LLC ("Amex" or "Exchange") 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 ("Exchange Notice"). On July 27, 2007, Amex submitted Amendment No. 1 to the proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 the shares ("Shares") of eight funds of the ProShares Trust ("Trust")³ based on four international equity indexes. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and <http://www.amex.com>.

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Trust is registered as a business trust under the Delaware Corporate Code.

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

Amex Rules 1000A–AEMI and 1001A–1005A provide standards for the listing of Index Fund Shares, which are securities issued by an open-end management investment company for exchange trading. These securities are registered under the Investment Company Act of 1940 (“1940 Act”), as well as under the Act. Index Fund Shares are defined in Amex Rule 1000A–AEMI(b)(1) generally as securities based on a portfolio of stocks or fixed income securities that seek to provide investment results that correspond generally to the price and yield of a specified foreign or domestic stock index or fixed income securities index. Amex Rule 1000A–AEMI(b)(2) permits the Exchange to list and trade Index Fund Shares that seek to provide investment results that exceed the performance of an underlying securities index by a specified multiple or that seek to provide investment results that correspond to a specified multiple of the inverse or opposite of the index’s performance.⁴

The Exchange proposes to list under Amex Rule 1000A–AEMI the Shares of eight new funds of the Trust that are designated as Short Funds (the “Short Funds”) and UltraShort Funds (the “UltraShort Funds,” and together with the Short Funds, collectively referred to as the “Funds”).⁵ Each of the Funds will

⁴ See Amex Rule 1000A–AEMI(b)(2)(iii) and Commentary .02 thereto (providing that the listing and trading of Index Fund Shares under paragraph (b)(2) thereof cannot be approved by the Exchange pursuant to Rule 19b–4(e) under the Act (17 CFR 240.19b–4(e)).

⁵ A list of the proposed Funds is set forth in Exhibit A to the Exchange Notice. The Commission has approved the listing and trading of certain Short Funds and UltraShort Funds based on a variety of underlying indexes. See Securities Exchange Act Release Nos. 55117 (January 17, 2007), 72 FR 3442

have a distinct investment objective by attempting, on a daily basis, to correspond to a specified multiple of the inverse performance of a particular equity securities index as described below. The Funds will be based on the following benchmark indexes: (1) MSCI Emerging Markets Index; (2) MSCI Japan Index; (3) MSCI EAFE Index; and (4) FTSE/Xinhua 25 Index (each individually an “Underlying Index,” and all indexes collectively the “Underlying Indexes”).⁶

Specifically, the Exchange proposes to list and trade Shares of the Short Funds that seek daily investment results, before fees and expenses, that correspond to the inverse or opposite of the daily performance (–100%) of the Underlying Indexes. If each of these Short Funds is successful in meeting its objective, the net asset value (“NAV”) of the Shares of each Short Fund should increase approximately as much, on a percentage basis, as the respective Underlying Index loses when the prices of the securities in the Underlying Index decline on a given day, or should decrease approximately as much as the respective Underlying Index gains when the prices of the securities in the Underlying Index rise on a given day, before fees and expenses.

The Exchange also proposes to list and trade Shares of the UltraShort Funds that seek daily investment results, before fees and expenses, that correspond to twice the inverse or opposite (–200%) of the daily

(January 25, 2007) (SR–Amex–2006–101) (approving the listing and trading of shares of funds of the Trust based on certain underlying indexes); 54040 (June 23, 2006), 71 FR 37629 (June 30, 2006) (SR–Amex–2006–41) (approving the listing and trading of shares of funds of the Trust based on certain underlying indexes); and 52553 (October 3, 2005), 70 FR 59100 (October 11, 2005) (SR–Amex–2004–62) (approving the listing and trading of shares of funds of the xtraShares Trust based on certain underlying indexes).

⁶ The Statement of Additional Information (“SAI”) for the Funds discloses that each Fund reserves the right to substitute a different Underlying Index. Substitutions can occur if an Underlying Index becomes unavailable, no longer serves the investment needs of shareholders, the Fund experiences difficulty in achieving investment results that correspond to the applicable Underlying Index, or for any other reason determined in good faith by the Board (as defined herein). In such instance, the substitute index would attempt to measure the same general market as the then current Underlying Index. Consistent with applicable law, shareholders would be notified (either directly or through their respective intermediary) if a Fund’s Underlying Index is replaced. In such case, the continued listing standards under Amex Rule 1002A would apply. See Amex Rule 1002A(b)(i)(B) (providing that the Exchange will consider the suspension of trading in, or removal from listing of, a series of Index Fund Shares if, among other circumstances, the Underlying Index or portfolio is replaced with a new index or portfolio, subject to certain exceptions).

performance of the Underlying Indexes. If each of these UltraShort Funds is successful in meeting its objective, the NAV of the Shares of each UltraShort Fund should increase approximately twice as much, on a percentage basis, as the respective Underlying Index loses when the prices of the securities in the Underlying Index decline on a given day, or should decrease approximately twice as much as the respective Underlying Index gains when the prices of the securities in the Underlying Index rise on a given day, before fees and expenses.

ProShare Advisors LLC is the investment advisor (the “Advisor”) to each Fund. The Advisor is registered under the Investment Advisers Act of 1940.⁷ While the Advisor will manage each Fund, the Trust’s Board of Trustees (the “Board”) will have overall responsibility for the Funds’ operations. The composition of the Board is, and will be, in compliance with the requirements of Section 10 of the 1940 Act.⁸ SEI Investments Distribution Company (the “Distributor”), a broker-dealer registered under the Act, will act as the distributor and principal underwriter of the Shares. JPMorgan Chase Bank, N.A. will act as the index receipt agent (the “Index Receipt Agent”) for which it will receive fees. The Index Receipt Agent will be responsible for the processing, clearance, and settlement of purchase and redemption orders through the facilities of the Depository Trust Company (“DTC”) and the National Securities Clearing Corporation (“NSCC”) on behalf of the Trust.⁹ The Index Receipt Agent will also be responsible for the coordination and transmission of files and purchase and redemption orders between the Distributor and the NSCC.

⁷ The Trust, Advisor, and Distributor (“Applicants”) have filed with the Commission an application to amend the order under the 1940 Act (the “Application”) for the purpose of exempting the Funds of the Trust from various provisions of the 1940 Act. See Investment Company Act Release No. 27609 (December 22, 2006), 72 FR 162 (January 3, 2007) (File No. 812–13329) (providing notification of an application for an order under Section 6(c) of the 1940 Act for an exemption from Sections 2(a)(32), 5(a)(1), 22(d), and 24(d) of the 1940 Act and Rule 22c–1 under the 1940 Act, and under Sections 6(c) and 17(b) of the Act for an exemption from Sections 17(a)(1) and (a)(2) of the 1940 Act).

⁸ See 15 U.S.C. 80a–10 (setting forth certain restrictions and requirements with respect to affiliations or interest of directors, officers, and employees of registered investment companies).

⁹ E-mail from Nyieri Nazarian, Assistant General Counsel, Amex, to Edward Cho, Special Counsel, Division of Market Regulation, Commission, dated July 30, 2007 (clarifying the responsibilities of the Index Receipt Agent) (“Amex Confirmation”).

Shares of the Funds issued by the Trust will be a class of exchange-traded securities that represent an interest in the portfolio of a particular Fund. The Shares will be registered in book-entry form only, and the Trust will not issue individual share certificates. DTC or its nominee will be the record or registered owner of all outstanding Shares. Beneficial ownership of Shares will be shown on the records of DTC or DTC participants.

Underlying Indexes

While the Exchange proposes to list and trade the Shares of the Funds pursuant to Section 19(b)(1) of the Act, the Exchange represents that the Underlying Index components comply with the generic listing standards set forth in Commentary .02 to Amex Rule 1000A—AEMI.

MSCI Emerging Markets Index. The MSCI Emerging Markets Index is a free float-adjusted, market capitalization index that is designed to measure equity market performance in the global emerging markets. MSCI (<http://www.msci.com>) administers this Underlying Index exclusively, the component securities of which must meet objective criteria for inclusion. The MSCI Emerging Markets Index aims to capture 85% of the publicly available total market capitalization in each emerging market included in such Underlying Index. The MSCI Emerging Markets Index is rebalanced quarterly, and its value is calculated in U.S. dollars on a real-time basis and disseminated every 60 seconds from 8 p.m. to 5 p.m. Eastern Time (“ET”) the following day. As of June 2007, this Underlying Index consisted of 698 components, and the three largest stocks by weight were Samsung Electronics Co. Ltd., Anglo American Plc, and Taiwan Semiconductor Manufacturing Company Ltd.¹⁰ The MSCI Emerging Markets Index consists of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The Commission has previously approved the listing and trading of an exchange-traded fund based on the MSCI Emerging Markets Index.¹¹

¹⁰ Amex Confirmation (confirming the name of Taiwan Semiconductor Manufacturing Company Ltd.).

¹¹ See Securities Exchange Act Release No. 44900 (October 25, 2001), 66 FR 55712 (November 2, 2001) (SR—Amex—2001—45) (approving the listing and trading of shares of funds of iShares, Inc. based on

MSCI Japan Index. The MSCI Japan Index seeks to measure the performance of the Japanese equity market. The MSCI Japan Index is a capitalization-weighted index whose component securities are adjusted for available float and must meet objective criteria for inclusion in the Underlying Index. The MSCI Japan Index aims to capture 85% of the publicly available total market capitalization in Japan. The MSCI Japan Index is rebalanced quarterly, and its value is calculated in U.S. dollars on a real-time basis and disseminated every 60 seconds from 8 p.m. to 2 a.m. ET.¹² As of May 31, 2007, this Underlying Index, which is comprised of stocks traded primarily on the Tokyo Stock Exchange, consisted of 321 components, and the three largest stocks by weight were Toyota Motor Corp., Sony Corp., and NTT DoCoMo Inc. The calculation method weights stocks in the Underlying Index by their beginning-of-period market capitalization. Share prices are “swept clean” daily and adjusted for any rights issues, stock dividends, or splits. This Underlying Index is calculated in local currency and in U.S. dollars, without dividends and with gross dividends reinvested. Prices used to calculate the MSCI Japan Index are the official closing prices on the Tokyo Stock Exchange and other Japanese exchanges on which the equity securities comprising this Underlying Index are listed and primarily traded.¹³ To calculate the applicable foreign currency exchange rate, MSCI uses WM/Reuters Closing Spot Rates. Under exceptional circumstances, MSCI may elect to use an alternative exchange rate for any country if the WM/Reuters Closing Spot Rate is believed not to be representative for the given currency on a particular day.

certain foreign stock indexes, including the MSCI Emerging Markets (Free) Index), as corrected by Securities Exchange Act Release No. 44990 (October 25, 2001), 66 FR 56869 (November 13, 2001) (SR—Amex—2001—45) (correcting the Release Number from 44900 to 44990).

¹² Commentary .02(b)(ii) to Amex Rule 1000A—AEMI provides that if an Underlying Index value does not change during some or all of the period when trading is occurring on the Exchange (for example, for indexes of non-U.S. component stocks because of time zone differences or holidays in the countries where such indexes’ component stocks trade), then the last official calculated Underlying Index value must remain available throughout Exchange trading hours. As a result, the Exchange states that, for such an Underlying Index, the value that will be disseminated during Amex trading hours would be static.

¹³ Amex Confirmation (noting that the official closing prices used to calculate the MSCI Japan Index value would be taken from the Tokyo Stock Exchange and other Japanese exchanges on which certain equity securities comprising the MSCI Japan Index primarily trade).

The MSCI Japan Index is calculated by MSCI for each trading day in the Japanese foreign exchange market based on official closing prices in such exchange market. For each trading day, MSCI publicly disseminates this Underlying Index value for the previous day’s close. The MSCI Japan Index is reported periodically in major financial publications and also is available through vendors of financial information. The Commission has previously approved the listing and trading of an exchange-traded fund based on the MSCI Japan Index.¹⁴

MSCI EAFE Index. The MSCI EAFE Index is a free float-adjusted, market capitalization index that is designed to measure equity market performance in the developed markets of Europe, Australasia, and the Far East. The MSCI EAFE Index is a capitalization-weighted index whose component securities are adjusted for available float and must meet objective criteria for inclusion in the Underlying Index. The MSCI EAFE Index aims to capture 85% of the publicly available total market capitalization in each developed market included in the MSCI EAFE Index. The MSCI EAFE Index is rebalanced quarterly, and its value is calculated in U.S. dollars on a real-time basis and disseminated every 60 seconds from 10 p.m. to 12:30 p.m. ET.¹⁵ As of June 2007, this Underlying Index consisted of 1021 components, and the three largest stocks by weight were BP Plc, Glaxosmithkline Plc, and Novartis Ag. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The Commission has previously approved the listing and trading on the Amex of an exchange-traded fund based on the MSCI EAFE Index.¹⁶

¹⁴ See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996) (SR—Amex—95—43) (approving the listing and trading of Index Fund Shares based on the MSCI Japan Index, among other indexes). The Exchange represents that shares of the iShares MSCI Japan Index Fund (EWJ) are currently traded on the Exchange.

¹⁵ See *supra* note 12. The Exchange states that between the start of trading on Amex to 12:30 p.m. ET, the MSCI EAFE Index value will be updated and disseminated every 60 seconds; however, from 12:30 p.m. ET to the close of Amex trading at 4:15 p.m. ET, the Exchange represents that only the last official calculated value will be available.

¹⁶ See Securities Exchange Act Release No. 44700 (August 14, 2001), 66 FR 43927 (August 21, 2001) (SR—Amex—2001—34) (approving the listing and trading of shares of a fund based on the MSCI EAFE Index, among other indexes). The Exchange states

FTSE/Xinhua China 25 Index. The FTSE/Xinhua China 25 Index consists of 25 of the largest and most liquid Chinese stocks (Red Chip and H shares)¹⁷ listed and trading on HKSE. The component securities of the FTSE/Xinhua China 25 Index are weighted based on the free-float adjusted total market value of the shares so that securities with higher total market values generally have a higher representation in this Underlying Index. The component securities are screened for liquidity, and weightings are capped to avoid over-concentration in any one stock. The inception date of this Underlying Index was March 2001. The FTSE/Xinhua China 25 Index is rule-based and is monitored by a governing committee that is responsible for conducting a quarterly review of the constituent securities of the Underlying Index and for making changes to the Underlying Index in accordance with this Underlying Index's procedures.¹⁸ The FTSE/Xinhua China 25 Index is rebalanced quarterly, and its value is calculated in U.S. dollars on a real-time basis and disseminated every 60 seconds from 9:15 p.m. to 4 a.m. ET.¹⁹ The Commission has previously approved the listing and trading of an exchange-traded fund based on the FTSE/Xinhua China 25 Index.²⁰

Investment Objective of the Funds

The Short Funds will seek daily investment results, before fees and expenses, of the inverse or opposite

(–100%) of the applicable Underlying Index, and the UltraShort Funds will seek daily investment results, before fees and expenses, of twice the inverse or opposite (–200%) of the daily performance of the applicable Underlying Index. Each of these Funds will not invest directly in the component securities of the relevant Underlying Index, but instead will create short exposure to such Underlying Index. Each Fund will rely on establishing positions in certain financial instruments²¹ that provide, on a daily basis, the inverse or opposite of, or twice the inverse or opposite of, as the case may be, the performance of the relevant Underlying Index. Normally, 100% of the value of the portfolios of each Fund will be devoted to Financial Instruments and certain money market instruments.²²

While the Advisor will attempt to minimize any “tracking error” between the investment results of a particular Fund and the performance (and specified multiple thereof) or the inverse performance (and specified multiple thereof) of its Underlying Index, certain factors may tend to cause the investment results of a Fund to vary from such relevant Underlying Index or specified multiple thereof.²³ The Funds are expected to be highly inversely correlated to each applicable

²¹ The financial instruments to be held by any of the Funds may include stock index futures contracts, options on futures contracts, options on securities and indices, equity caps, collars and floors, as well as swap agreements, forward contracts, repurchase agreements, and reverse repurchase agreements (the “Financial Instruments”).

²² Money market instruments include (1) U.S. government securities and (2) repurchase agreements that (a) Are held by the Funds and (b) will be eligible investments in accordance with Rule 2a–7 under the 1940 Act (17 CFR 270.2a–7) (the “Money Market Instruments”).

²³ The Exchange states that several factors may cause a Fund to vary from the relevant Underlying Index and investment objective including: (1) A Fund's expenses, including brokerage fees (which may be increased by high portfolio turnover) and the cost of the investment techniques employed by that Fund; (2) less than all of the securities in the benchmark Underlying Index being held by a Fund and securities not included in the benchmark Underlying Index being held by a Fund; (3) an imperfect correlation between the performance of instruments held by a Fund, such as futures contracts, and the performance of the underlying securities in the cash market; (4) bid-ask spreads (the effect of which may be increased by portfolio turnover); (5) holding instruments traded in a market that has become illiquid or disrupted; (6) a Fund's Share prices being rounded to the nearest cent; (7) changes to the benchmark Underlying Index that are not disseminated in advance; (8) the need to conform a Fund's portfolio holdings to comply with investment restrictions or policies or regulatory or tax law requirements; and (9) early and unanticipated closings of the markets on which the holdings of a Fund trade, resulting in the inability of the Fund to execute intended portfolio transactions.

Underlying Index and investment objective (–0.85 or greater).²⁴ In each case, the Funds are expected to have a daily tracking error of less than 5% (500 basis points) relative to the specified multiple or inverse multiple of the performance of the relevant Underlying Index.

The Portfolio Investment Methodology

The Advisor will seek to establish an investment exposure in each portfolio corresponding to each Fund's investment objective based on its “Portfolio Investment Methodology,” as described below. The Exchange states that the Portfolio Investment Methodology is a mathematical model based on well-established principles of finance that are widely used by investment practitioners, including conventional index fund managers.

As set forth in the Application, the Portfolio Investment Methodology was designed to determine for each Fund the portfolio investments needed to achieve its stated investment objectives. The Portfolio Investment Methodology takes into account a variety of specified criteria and data, the most important of which are: (1) Net assets (taking into account creations and redemptions) in each Fund's portfolio at the end of each trading day; (2) the amount of required exposure to the Underlying Index; and (3) the positions in Financial Instruments and/or Money Market Instruments at the beginning of each trading day. The Advisor will then mathematically determine the end-of-day positions to establish the required amount of exposure to the Underlying Index (the “Solution”), which will consist of equity securities, Financial Instruments, and/or Money Market Instruments. The difference between the start-of-day positions and the required end-of-day positions is the actual amount of Financial Instruments and/or Money Market Instruments that must be bought or sold for the day. The Solution represents the required exposure and, when necessary, is converted into an order or orders to be filled that same day.

Generally, portfolio trades effected pursuant to the Solution are reflected in the NAV on the first business day (T+1) after the date the relevant trade is made. Therefore, the NAV calculated for a

²⁴ Correlation is the strength of the relationship between (1) The change in a Fund's NAV and (2) the change in the benchmark Underlying Index (investment objective). The statistical measure of correlation is known as the “correlation coefficient.” A correlation coefficient of +1 indicates a perfect positive correlation, while a value of –1 indicates a perfect negative (inverse) correlation. A value of zero would mean that there is no correlation between the two variables.

that the shares of the iShares MSCI EAFE Index Fund (EFA) are currently traded on the Exchange.

¹⁷ The Exchange states that “H shares” are securities of companies incorporated in mainland China and nominated by the Chinese government for listing and trading on the Hong Kong Stock Exchange (“HKSE”). They are quoted and traded in Hong Kong dollars (“HKD”). The only Chinese investors permitted to trade H shares are those who are approved by the Chinese government; however there are no such restrictions on international investors. “Red Chips” are securities of companies incorporated in Hong Kong that trade on HKSE and are quoted in HKD. The constituents are substantially owned, directly or indirectly, by Chinese state-owned enterprises. The only Chinese investors permitted to trade Red Chips are those who are approved by the Chinese government; however, there are no such restrictions on international investors.

¹⁸ Amex Confirmation (confirming that the governing committee is responsible for such duties).

¹⁹ See *supra* note 12.

²⁰ See Securities Exchange Act Release No. 50505 (October 8, 2004), 69 FR 61280 (October 15, 2004) (SR–NYSE–2004–55) (approving the listing and trading of shares of the iShares FTSE/Xinhua China 25 Index Fund). The Exchange states that the shares of the iShares FTSE/Xinhua China 25 Index Fund (FXI) are currently traded on the Exchange. See Securities Exchange Act Release No. 50800 (December 6, 2004), 69 FR 72228 (December 13, 2004) (SR–Amex–2004–85) (approving the trading of shares of the iShares FTSE/Xinhua China 25 Index Fund pursuant to unlisted trading privileges).

Fund on a given day should reflect the trades executed pursuant to the prior day's Solution. For example, trades pursuant to the Solution calculated on a Monday afternoon are executed on behalf of the Fund in question on that day. These trades will then be reflected in the NAV for that Fund that is calculated as of 4 p.m. ET on Tuesday.

The timeline for the Portfolio Investment Methodology is as follows. Authorized Participants ("APs" or "Authorized Participants")²⁵ have a 3 p.m. ET cut-off for orders submitted by telephone, facsimile, and other electronic means of communication and a 4 p.m. ET cut-off for orders received via mail.²⁶ Orders are received by the Distributor and relayed to the Advisor within ten minutes. The Advisor will know by 3:10 p.m. ET the number of creation/redemption orders by APs for that day. Orders are then placed at approximately 3:40 p.m. ET as market-on-close orders. At 4 p.m. ET, the Advisor will again look at the exposure to make sure that the orders placed are consistent with the Solution, and, as described above, the Advisor will execute any other transactions in Financial Instruments to assure that the Fund's exposure is consistent with the Solution.

Description of Investment Techniques

In attempting to achieve its individual investment objectives, a Fund may invest its assets in Financial Instruments and Money Market Instruments. The Funds generally will not invest in equity securities, but rather will hold only Financial Instruments and Money Market Instruments. To the extent applicable, each Fund will comply with the requirements of the 1940 Act with respect to "cover" for Financial Instruments and, thus, may hold a significant portion of its assets in liquid instruments in segregated accounts.

Each Fund may engage in transactions in futures contracts on designated contract markets where such contracts trade and will only purchase and sell futures contracts traded on a U.S. futures exchange or board of trade. Each Fund will comply with the requirements of Rule 4.5 of the regulations promulgated by the

Commodity Futures Trading Commission ("CFTC").²⁷

Each Fund may enter into swap agreements and/or forward contracts for the purposes of attempting to gain exposure to its corresponding Underlying Index without actually transacting such securities. The Exchange states that the counterparties to the swap agreements and/or forward contracts will be major broker-dealers and banks. The creditworthiness of each potential counterparty is assessed by the Advisor's credit committee pursuant to guidelines approved by the Board. Existing counterparties are reviewed periodically by the Board. Each Fund may also enter into repurchase and reverse repurchase agreements with terms of less than one year and will only enter into such agreements with (1) Members of the Federal Reserve System, (2) primary dealers in U.S. government securities, or (3) major broker-dealers. Each Fund may also invest in Money Market Instruments, in pursuit of its investment objectives, as "cover" for Financial Instruments, as described above, or to earn interest.

The Trust will adopt certain fundamental policies consistent with the 1940 Act, and each Fund will be classified as "non-diversified" under the 1940 Act. Each Fund, however, intends to maintain the required level of diversification and otherwise conduct its operations so as to qualify as a "regulated investment company" or "RIC" for purposes of the Internal Revenue Code to relieve the Trust and the Funds of any liability for Federal income tax to the extent that its earnings are distributed to shareholders.²⁸

Availability of Information About the Shares and Underlying Indexes

The Trust's Internet Web site (<http://www.proshares.com>), which is and will be publicly accessible at no charge, will contain the following information for each Fund's Shares: (a) The prior business day's closing NAV, the reported closing price, and a calculation of the premium or discount of such price in relation to the closing NAV; (b) data for a period covering at least the four previous calendar quarters (or the life of a Fund, if shorter) indicating how frequently each Fund's Shares traded at

a premium or discount to NAV based on the daily closing price and the closing NAV, and the magnitude of such premium and discounts; (c) its prospectus and/or product description; and (d) other quantitative information, such as daily trading volume. The prospectus and/or product description for each Fund will inform investors that the Trust's Web site has information about the premiums and discounts at which the Fund's Shares have traded.²⁹

Amex will disseminate for each Fund on a daily basis by means of the Consolidated Tape Association ("CT") and CQ High Speed Lines information with respect to an Indicative Intra-Day Value ("IIV") (as defined and discussed herein), recent NAV, number of Shares outstanding, and the estimated cash amount and total cash amount per Creation Unit (as defined herein). The Exchange will make available on its Web site at <http://www.amex.com> daily trading volume, the closing prices, the NAV, and the final dividend amounts to be paid for each Fund.

Each Fund's total portfolio composition will be disclosed on the Web site of the Trust or another relevant Web site as determined by the Trust and/or the Exchange. Web site disclosure of portfolio holdings will be made daily and will include, as applicable, the specific types of Financial Instruments and characteristics of such Financial Instruments and the cash equivalents and amount of cash held in the portfolio of each Fund.³⁰ This Web site disclosure of the portfolio composition of each Fund and the disclosure by the Advisor of the "IIV File" (as described herein) and the portfolio composition file or "PCF" (as described herein) will occur at the same time.³¹ Therefore, the same

²⁹ The Exchange states that the Application requests relief from Section 24(d) of the 1940 Act (15 U.S.C. 80a-24(d)), which would permit dealers to sell Shares in the secondary market unaccompanied by a statutory prospectus when prospectus delivery is not required by the Securities Act of 1933. Additionally, if a product description is being provided in lieu of a prospectus, Commentary .06 of Amex Rule 1000A-AEMI requires that Amex members and member organizations provide to all purchasers of a series of Index Fund Shares a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time of confirmation of the first transaction in such series is delivered to such purchaser. Furthermore, any sales material will reference the availability of such circular and the prospectus.

³⁰ Amex Confirmation (confirming the information that will be disclosed on the Trust's Web site).

³¹ *Id.* (confirming that the portfolio information contained in the Trust's public Web site will be

²⁵ An Authorized Participant is: (1) Either (a) a broker-dealer or other participant in the continuous net settlement system of the NSCC, or (b) a DTC participant; and (2) a party to a participant agreement with the Distributor.

²⁶ The Exchange states that AP orders by mail are exceedingly rare.

²⁷ The Exchange states that CFTC Rule 4.5 provides an exclusion for investment companies registered under the 1940 Act from the definition of the term "commodity pool operator" upon the filing of a notice of eligibility with the National Futures Association.

²⁸ See Exchange Notice n.15 (providing a description of the Internal Revenue Code requirements pertaining to RICs). The Exchange Notice is available at Amex's Web site (<http://www.amex.com>).

portfolio information (including accrued expenses and dividends) will be provided on the public Web site, as well as in the IIV File and PCF provided to Authorized Participants. The format of the public Web site disclosure and the IIV File and PCF will differ because the public Web site will list all portfolio holdings, while the IIV File and PCF will similarly provide the portfolio holdings, but in a format appropriate for Authorized Participants, *i.e.*, the exact components of a Creation Unit.³² Accordingly, each investor will have access to the current portfolio composition of each Fund through the Trust's Internet Web site and/or at the Exchange's Web site.

Beneficial owners of Shares (the "Beneficial Owners") will receive all of the statements, notices, and reports required under the 1940 Act and other applicable laws. They will receive, for example, annual and semi-annual Fund reports, written statements accompanying dividend payments, proxy statements, annual notifications detailing the tax status of Fund distributions, and Form 1099-DIVs. Some of these documents will be provided to Beneficial Owners by their brokers, while others will be provided by the Fund through the brokers.

The daily closing value and the percentage change in the daily closing value for each Underlying Index will be publicly available on various Internet Web sites, and data regarding each Underlying Index will be available from the respective Underlying Index provider. Several independent data vendors also package and disseminate Underlying Index data in various value-added formats (including vendors displaying both securities and Underlying Index levels and vendors displaying Underlying Index levels only). The value of each Underlying Index will be updated intra-day on a real-time basis as its individual component securities change in price. These intra-day values of each Underlying Index will be disseminated at least every 60 seconds throughout the trading day³³ by Amex or another organization authorized by the relevant Underlying Index provider.

Creation and Redemption of Shares

Each Fund will issue and redeem Shares only in aggregations of at least 75,000 (each aggregation a "Creation Unit"). Purchasers of Creation Units

will be able to separate the Creation Units into individual Shares. Once the number of Shares in a Creation Unit is determined, it will not change thereafter (except in the event of a stock split or similar revaluation). The initial value of a Share for each Fund is expected to be in the range of \$50–\$250.

Creation Unit aggregations of the Funds will be purchased at NAV, plus a transaction fee. A purchaser will make a cash payment by 12 p.m. ET on the third business day following the date on which the request was made (T+3) or earlier. Purchasers of the Shares in Creation Unit aggregations must satisfy certain creditworthiness criteria established by the Advisor and approved by the Board, as provided in the participation agreement between the Trust and Authorized Participants. Creation Unit aggregations of the Shares will be redeemable for an all-cash payment equal to the NAV, less a transaction fee.

The Trust will create a PCF for each Fund, which will be transmitted to NSCC before the open of business the next business day. The information in the PCF will be available to all participants in the NSCC system. Because the NSCC's system for the receipt and dissemination to its participants of the PCF is not currently capable of processing information with respect to Financial Instruments, the Advisor has developed an "IIV File" to disclose the Funds' holdings of Financial Instruments.³⁴ The IIV File will contain for each Fund information sufficient by itself or in connection with the PCF and other available information for market participants to calculate a Fund's IIV and effectively arbitrage such Fund.

For example, the following information would be provided in the IIV File for a Fund holding Financial Instruments, such as swaps and futures contracts: (A) The notional value of the swaps held by such Fund (together with an indication of the Underlying Index on which such swap is based and whether the Fund's position is long or short); (B) the most recent valuation of the swaps held by the Fund; (C) the notional value of any futures contracts (together with an indication of the Underlying Index on which such contract is based, whether the Fund's

position is long or short, and the contract's expiration date) held by the Fund; (D) the number of futures contracts held by the Fund (together with an indication of the Underlying Index on which such contract is based, whether the Fund's position is long or short, and the contract's expiration date); (E) the most recent valuation of the futures contracts held by the Fund; (F) the total assets and total shares outstanding of each Fund; and (G) a "net other assets" figure reflecting expenses and income of the Fund to be accrued during and through the following business day and accumulated gains or losses on the Fund's Financial Instruments through the end of the business day immediately preceding the publication of the IIV File. To the extent that any Fund holds cash or cash equivalents about which information is not available in a PCF, information regarding such Fund's cash and cash equivalent positions will be disclosed in the IIV File for such Fund. The information in the IIV File will be sufficient for participants in the NSCC system to calculate the IIV for the Funds during the following business day.

The Shares of the Funds will be purchased and redeemed entirely for cash. The use of an all-cash payment for the purchase and redemption of Creation Unit aggregations of the Shares is due to the limited transferability of Financial Instruments. The IIV File published before the open of business on a business day will permit NSCC participants to calculate (by means of calculating the IIV) the amount of cash required to create a Creation Unit and the amount of cash that will be paid upon redemption of a Creation Unit, for each Fund for that business day. All Authorized Participants who are NSCC participants and the Exchange will have access to the Web site containing the IIV File. The IIV File will reflect trades made on behalf of a Fund and the creation/redemption orders for that business day. Accordingly, by approximately 7 p.m. ET, Authorized Participants will know the composition of a Fund's portfolio for the next trading day.

The Exchange believes that Shares will not trade at a material discount or premium to the underlying securities held by a Fund based on potential arbitrage opportunities. The arbitrage process, which provides the opportunity to profit from differences in prices of the same or similar securities, increases the efficiency of the markets and serves to prevent potentially manipulative efforts. If the price of a Share deviates enough from the Creation Unit, on a per share basis, to create a material discount or

available at the same time the IIV File and PCF are disclosed by the Advisor).

³² The composition will be used to calculate the NAV later that day.

³³ See *supra* notes 12 and 15 and accompanying text.

³⁴ The Trust or the Advisor will post the IIV File to a password-protected Internet Web site before the opening of business on each business day, and all Authorized Participants and the Exchange will have access to a password and the Web site containing the IIV File. The Funds, however, will disclose each business day to the public identical information, but in a format appropriate to public investors, at the same time the Funds disclose the IIV File and PCF, as applicable, to industry participants.

premium, an arbitrage opportunity is created allowing the arbitrageur to either buy Shares at a discount, immediately cancel them in exchange for the Creation Unit, and sell the underlying securities in the cash market at a profit, or sell Shares short at a premium and buy the Creation Unit in exchange for the Shares to deliver against the short position. In both instances, the arbitrageur locks in a profit, and the markets move back into line.³⁵

Dividends and Distributions

Dividends, if any, from net investment income will be declared and paid at least annually by each Fund in the same manner as by other open-end investment companies. Each Fund may pay dividends on a semi-annual or more frequent basis. Distributions of realized securities gains, if any, generally will be declared and paid once a year.

Dividends and other distributions on the Shares of each Fund will be distributed, on a *pro rata* basis to Beneficial Owners of such Shares. Dividend payments will be made through DTC and DTC participants to Beneficial Owners then of record with proceeds received from each Fund.

The Trust will not make the DTC book-entry Dividend Reinvestment Service (the "Dividend Reinvestment Service") available for use by Beneficial Owners for reinvestment of their cash proceeds, but certain individual brokers may make a Dividend Reinvestment Service available to Beneficial Owners. The SAI will inform investors of this fact and direct interested investors to contact such investor's broker to ascertain the availability and a description of such a service through such broker. The SAI will also caution interested Beneficial Owners that they should note that each broker may require investors to adhere to specific procedures and timetables in order to participate in the service, and such investors should ascertain from their broker such necessary details. Shares acquired pursuant to such service will be held by the Beneficial Owners in the

³⁵ In their Application, the Applicants stated that they do not believe that all-cash payments for creations/redemptions will affect arbitrage efficiency. This is because the Applicants believe it makes little difference to an arbitrageur whether Creation Unit aggregations are purchased in exchange for a basket of securities or cash. The important function of the arbitrageur is to bid the Share price of any Fund up or down until it converges with the NAV. Applicants note that this can occur regardless of whether the arbitrageur is allowed to create in cash or with a basket of securities. In either case, the arbitrageur can effectively hedge a position in a Fund in a variety of ways, including the use of market-on-close contracts to buy or sell the Financial Instruments.

same manner and subject to the same terms and conditions as those for original ownership of Shares. Brokerage commissions, charges, and other costs, if any, incurred in purchasing Shares in the secondary market with the cash from the distributions generally will be an expense borne by the individual Beneficial Owners participating in reinvestment through such service.

Dissemination of Indicative Intra-Day Value (IIV)

In order to provide updated information relating to each Fund for use by investors, professionals, and persons wishing to create or redeem Shares, the Exchange will disseminate through the facilities of the CT (1) Continuously throughout the trading day, the market value of a Share, and (2) at least every 15 seconds throughout Amex's trading day, a calculation of the IIV,³⁶ as calculated by the Exchange (the "IIV Calculator"). The Exchange states that comparing these two figures helps an investor to determine whether, and to what extent, the Shares may be selling at a premium or a discount to NAV.

The IIV is designed to provide investors with a reference value that can be used in connection with other related market information. The IIV does not necessarily reflect the precise composition of the current portfolio held by each Fund at a particular point in time. Therefore, the IIV on a per-Share basis disseminated during Amex trading hours should not be viewed as a real-time update of the NAV of a particular Fund, which is calculated only once a day. While the IIV that will be disseminated by Amex is expected to be close to the most recently calculated Fund NAV on a per-Share basis, it is possible that the value of the portfolio held by a Fund may diverge from the IIV during any trading day. In such case, the IIV will not precisely reflect the value of the Fund portfolio.

The IIV Calculator will disseminate the IIV throughout the trading day for each Fund by: (1) Calculating the mark-to-market gains or losses from the Fund's total return equity swap exposure based on the percentage change to the Underlying Index and the previous day's notional values of the swap contracts, if any, held by such Fund (which previous day's notional value will be provided by the Trust); (2) calculating the mark-to-market gains or

³⁶ The IIV is also referred to by other issuers as an "Estimated NAV," "Underlying Trading Value," "Indicative Optimized Portfolio Value (IOPV)," and "Intraday Indicative Value" in various places such as the prospectus and marketing materials for different exchange-traded funds.

losses from futures, options, and other Financial Instrument positions by taking the difference between the current value of those positions held by the Fund, if any (as provided by the Trust), and the previous day's value of such positions; (3) adding the values from (1) and (2) above to an estimated cash amount provided by the Trust (which cash amount will include the swap costs) to arrive at a value; and (4) dividing that value calculated in (3) above by the total number of Shares outstanding (as provided by the Trust) to obtain current IIV.

Criteria for Initial and Continued Listing

The Shares are subject to the criteria for initial and continued listing of Index Fund Shares under Amex Rule 1002A. A minimum of two Creation Units (at least 150,000 Shares) will be required to be outstanding at the start of trading. This minimum number of Shares required to be outstanding at the start of trading will be comparable to requirements that have been applied to previously listed series of Index Fund Shares. The Exchange believes that the proposed minimum number of Shares outstanding at the start of trading is sufficient to provide market liquidity. The Exchange, pursuant to Amex Rule 1002A(a)(ii), will obtain a representation from the Trust (for each Fund), prior to listing, that the NAV per share for each Fund will be calculated daily and made available to all market participants at the same time. The Exchange represents that the Trust is required to comply with Rule 10A-3 under the Act³⁷ for the initial and continued listing of the Shares.

Amex Trading Rules and Trading Halts

The Shares are equity securities subject to Amex rules governing the trading of equity securities.³⁸ In addition, Amex Rule 154-AEMI(c)(ii)³⁹ and Commentary .04 to Amex Rule 190⁴⁰ apply to Index Fund Shares listed on the Exchange, including the Shares.

³⁷ 17 CFR 240.10A-3 (setting forth listing standards relating to audit committees).

³⁸ Amex Confirmation (clarifying Amex trading rules applicable to the Shares).

³⁹ Amex Rule 154-AEMI(c)(ii) provides that stop and stop limit orders to buy or sell a security (other than an option, which is covered by Amex Rule 950(f) and Amex Rule 950-ANTE(f) and Commentary thereto), the price of which is derivatively priced based upon another security or index of securities, may be elected by a quotation. The Exchange has designated Index Fund Shares, including the Shares, as eligible for this treatment.

⁴⁰ Commentary .04 states that nothing in Amex Rule 190(a) should be construed to restrict a specialist registered in a security issued by an investment company from purchasing and redeeming the listed security or securities that can

In addition to other factors that may be relevant, the Exchange may consider factors such as those set forth in Amex Rule 918C(b) in exercising its discretion to halt or suspend trading in Index Fund Shares. These factors include, but are not limited to, (1) The extent to which trading is not occurring in securities comprising an Underlying Index and/or the Financial Instruments of a Fund, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In the case of Financial Instruments held by a Fund, the Exchange represents that a notification procedure will be implemented so that timely notice from the Advisor is received by the Exchange when a particular Financial Instrument is in default or shortly to be in default. Notification from the Advisor will be made by phone, facsimile, or e-mail. The Exchange would then determine on a case-by-case basis whether a default of a particular Financial Instrument justifies a trading halt of the Shares. Trading in Shares of the Funds will also be halted if the circuit breaker parameters under Amex Rule 117 have been reached.

Amex Rule 1002A(b)(ii) sets forth the trading halt parameters with respect to Index Fund Shares. If the IIV or the Underlying Index value applicable to that series of Index Fund Shares is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or the Underlying Index value occurs. If the interruption to the dissemination of the IIV or the Underlying Index value persists past the trading day in which it occurred, the Exchange will halt trading no later than the beginning of the trading day following the interruption.

Information Circular

The Exchange, in an Information Circular to Exchange members and member organizations, prior to the commencement of trading, will inform members and member organizations regarding the application of Commentary .06 of Amex Rule 1000A-AEMI to the Funds. The Information Circular will further inform members and member organizations of the prospectus and/or product description delivery requirements that apply to the Funds.⁴¹

be subdivided or converted into the listed security from the issuer as appropriate to facilitate the maintenance of a fair and orderly market.

⁴¹ The Exchange states that the any product description used in reliance on Section 24(d) of the 1940 Act (15 U.S.C. 80a-24(d)) will comply with all representations and conditions set forth in the Application. See *supra* note 29.

The Information Circular will also provide guidance with regard to member firm compliance responsibilities when effecting transactions in the Shares and highlighting the special risks and characteristics of the Funds and Shares as well as applicable Exchange rules. In particular, the Information Circular will set forth the requirements relating to Commentary .05 to Amex Rule 411 (Duty to Know and Approve Customers). Specifically, the Information Circular will remind members of their obligations in recommending transactions in the Shares so that members have a reasonable basis to believe that (1) The recommendation is suitable for a customer given reasonable inquiry concerning the customer's investment objectives, financial situation, needs, and any other information known by such member, and (2) that the customer can evaluate the special characteristics, and is able to bear the financial risks, of such investment. In connection with the suitability obligation, the Information Circular will also provide that members make reasonable efforts to obtain the following information: (a) The customer's financial status; (b) the customer's tax status; (c) the customer's investment objectives; and (d) such other information used or considered to be reasonable by such member or registered representative in making recommendations to the customer. In addition, the Information Circular will disclose that the procedures for purchases and redemptions of Shares in Creation Units are described in each Fund's prospectus and SAI, and that Shares are not individually redeemable, but are redeemable only in Creation Unit aggregations or multiples thereof.

Surveillance

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Shares. Specifically, Amex will rely on its existing surveillance procedures governing Index Fund Shares. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁴² in general, and furthers the objectives of Section 6(b)(5),⁴³ in particular, in that it is 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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest.

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

The Exchange believes the proposed rule change will impose no 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 no written comments were solicited or received with respect to 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 Amex 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.

The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.⁴⁴

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-Amex-2007-60 on the subject line.

Paper Comments

- Send paper comments in triplicate to Nancy M. Morris, Secretary,

⁴⁴ In the Exchange Notice, Amex requested accelerated approval of this proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof.

⁴² 15 U.S.C. 78f(b).

⁴³ 15 U.S.C. 78f(b)(5).

Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-Amex-2007-60. 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 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-Amex-2007-60 and should be submitted on or before August 30, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴⁵

Florence E. Harmon,
Deputy Secretary.

[FR Doc. E7-15936 Filed 8-14-07; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56226; File No. SR-BSE-2007-35]

Self-Regulatory Organizations; Boston Stock Exchange, Inc; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Market Opening Procedures of the Rules of the Boston Options Exchange

August 8, 2007.

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 August 3, 2007, the Boston Stock Exchange, Inc. (“BSE” or “Exchange”) 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The BSE is proposing to amend Chapter V, Section 9(e) of the rules of the Boston Options Exchange (“BOX”) to establish a permanent market opening procedure and to also define the relationship between the opening of an underlying stock in its primary market and the opening of the option on BOX during such times when the underlying stock's primary market has not opened. The text of the proposed rule change is available on the BSE's Web site at <http://www.bostonoptions.com>, at BSE's principle office, and at the Commission's Public Reference Room.

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 February 4, 2004, the Commission approved the market opening guidelines, as set forth in the BOX Rules, on a pilot basis through August

6, 2004⁵ and has since extended the Pilot Program through August 6, 2007.⁶ The purpose of this rule filing is to make these market opening guidelines permanent. The Exchange proposes to make its market opening guidelines permanent since they have successfully opened the market since BOX's inception.⁷

In addition, the purpose of this rule filing is also to define the relationship between the opening of the underlying stock in its primary market and the opening of the option on BOX during such times when the underlying stock's primary market has not opened.⁸ The BSE seeks to establish a process that allows for BOX to have the proper flexibility to open its market in an option in the morning when all other option Exchanges are open for trading and BOX rules currently do not allow for the opening of said options.

In establishing this process, the BSE seeks to delegate to the Exchange the authority to decide whether BOX should open the market in an option when the underlying stock has not opened in the primary market, and all other Exchanges are trading the option. The Exchange presently has no express authority within the BOX Rules to authorize said opening of the market. The BSE seeks to establish this process to allow BOX to have the same authority as other Exchanges,⁹ to eliminate a competitive disadvantage and to provide additional liquidity and competitive quotes into the marketplace. Specifically, the Exchange will delay opening an option until the underlying security has opened unless the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the option.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement

⁵ See Securities Exchange Act Release No. 49192 (February 4, 2004), 69 FR 7051 (February 12, 2004) (SR-BSE-2004-05).

⁶ See Securities Exchange Act Release Nos. 50163 (August 6, 2004) 69 FR 50230 (August 13, 2004) (SR-BSE-2004-28); 52166 (July 29, 2005), 70 FR 44957 (August 4, 2005) (SR-BSE-2005-34); 54507 (September 26, 2006) 71 FR 58020 (October 2, 2006) (SR-BSE-2006-36); and 54467 (September 18, 2006) 71 FR 55530 (September 22, 2006) (SR-BSE-2006-37).

⁷ The BOX market first opened on February 6, 2004.

⁸ The proposed rule will deem an underlying security to have opened on the primary market when the primary market has reported a transaction in the underlying security, or disseminated opening quotations for the underlying security and not given an indication of a delayed opening, whichever occurs first.

⁹ See ISE Rules 701(b)(2) and 701(b)(3).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁴⁵ 17 CFR 200.30-3(a)(12).