



FOLEY & LARDNER LLP
ATTORNEYS AT LAW

321 NORTH CLARK STREET
SUITE 2800
CHICAGO, IL 60610-4764
312.832.4500 TEL
312.832.4700 FAX
www.foley.com

December 2, 2005

gsimon@foley.com EMAIL

CLIENT/MATTER NUMBER
055573-0101

Mr. James A. Brigagliano
Assistant Director, Trading Practices
Office of Risk Management and Control
Division of Market Regulation
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1001

Re: **Request of Rydex Specialized Products LLC d/b/a “Rydex Investments” for Exemptive, Interpretative and No-Action Relief from Rule 10a-1 under, Rules 101 and 102 of Regulation M under, Rule 200(g) of Regulation SHO under, Section 11(d)(1) of, and Rule 11d1-2 under the Securities Exchange Act of 1934, as amended.**

Dear Mr. Brigagliano:

We are writing on behalf of Rydex Specialized Products LLC, sponsor (the “Sponsor”) of the Euro Currency Trust (“Trust”). The Sponsor, on behalf of itself, the Trust, The Bank of New York as trustee of the Trust (along with any successor trustee, “Trustee”), JPMorgan Chase, N.A., London Branch, as the depository for the Trust (“Depository”), Rydex Distributors, Inc. as the distributor for the Trust (“Distributor”), Bear Hunter Structured Products, LLC, as the initial purchaser (“Initial Purchaser”), the New York Stock Exchange, Inc. (“NYSE”) and any other national securities exchange or national securities association (each, an “Other Exchange”) (NYSE and any Other Exchange being collectively referred to as the “Exchange”) and persons or entities engaging in securities transactions of shares of the Trust (“Shares”), hereby requests, as appropriate, from the Staff (the “Staff”) of the Securities and Exchange Commission (the “Commission”) or from the Commission itself, exemptions from, or interpretive or no-action advice or relief regarding, Rule 10a-1 under, Rules 101 and 102 of Regulation M under, Rule

¹ If the Sponsor, on behalf of the Trust, ultimately lists the Shares on an Other Exchange, the Shares will be listed in accordance with the Other Exchange’s listing standards that are, or will become, effective pursuant to Section 19(b) of the Exchange Act. If the Shares also trade on an Other Exchange pursuant to unlisted trading privileges, such trading will be conducted pursuant to self-regulatory organization rules that have become effective pursuant to Section 19(b) of the Exchange Act. See also footnote 3 and related text, *infra*.

200(g) of Regulation SHO under, Section 11(d)(1) of, and Rule 11d1-2, under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Sponsor believes that the relief requested in this letter is consistent with the public interest and the protection of investors and would further the purposes intended by the policies and provisions of the Exchange.

1. The Trust and the Shares

A. The Trust's Passive Structure and Limited Activities

The Trust was organized on December 2, 2005, as a grantor trust under New York law pursuant to a Depository Trust Agreement (the "Trust Agreement"). The purpose of the Trust is to hold euro for the benefit of owners of the Shares. The Trust will issue Shares in 50,000-Share units (each unit, a "Basket") that represent fractional, undivided beneficial interest in, and ownership of, the Trust. The Trust is expected from time to time to issue Baskets in exchange for deposits of euro and to distribute euro in connection with redemptions of Baskets. The Shares will be listed for trading on the NYSE.

The Trust's business or activity is limited to (i) issuing Baskets in exchange for the deposit of euro with the Trust and distributing euro from the Trust in connection with the redemption of Baskets, (ii) holding through the Depository the euro on deposit with the Trust, (iii) paying dividends to owners of the Shares, and (iv) paying the expenses of the Trust and selling euro if needed to pay those expenses. The euro held by the Trust will only be sold (1) if needed to pay Trust expenses, (2) in the event the Trust terminates and liquidates its assets or (3) as otherwise required by law or regulation. The sale of euro by the Trust is a taxable event to shareholders of the Trust ("Shareholders").

The Trust is a passive investment vehicle and the Trustee has no discretion regarding use of the euro in the Trust. The Trust has no directors, officers or employees nor does it have an audit committee. The Trust acts only through its Trustee and Sponsor as permitted under and directed by the Trust Agreement. The Trust is not registered as an investment company under the Investment Company Act of 1940 and is not required to register under such Act.

The Trust creates and redeems Shares from time to time, but only in whole Baskets. The number of Shares outstanding is expected to increase and decrease from time to time as a result of the creation and redemption of Baskets.

The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of euro represented by the Baskets being created or redeemed. Baskets may be created or redeemed only by a DTC participant that is a registered broker-dealer or else is exempt from being (or otherwise is not be required to be) registered or regulated as a broker-dealer and that has entered into a participant agreement ("Participant Agreement") with the Trustee ("Authorized Participants"). Only Authorized Participants may

place orders with the Trustee to create or redeem Baskets. Authorized Participants may sell to other investors all or part of the Shares included in the Baskets that they purchase from the Trust.

The Trust's assets will consist only of euro on demand deposit in a euro-denominated, interest-bearing account (the "Interest Account") or a euro-denominated, non-interest bearing account (the "Non-Interest Account"). The Trust's euro will primarily be held in the Interest Account. The Non-Interest Account will be used by the Trustee to make certain accounting adjustments relating to accrued but unpaid interest and the account will be used for the deposit of euro earned as interest on the Interest Account prior to its distribution to Shareholders. JPMorgan Chase Bank, N.A., London Branch, is the Depository. The Depository accepts Trust euro deposited with it by Authorized Participants in connection with the creation of Baskets. The Depository facilitates the transfer of euro into and out of the Trust through the Interest Account and Non-Interest Account maintained with it by the Trust. The Depository will not be paid a fee for its services to the Trust, but will charge the Trust typical maintenance and transaction fees in connection with the day-to-day operation of the Interest Account and Non-Interest Account. The Depository may earn a "spread" or "margin" over the rate of interest it pays to the Trust on the euro deposit balances. The Trust will not hold any derivative products. Each Share represents a *proportional interest*, based on the total number of Shares outstanding, in the euro owned by the Trust (including accrued interest), less accrued but unpaid expenses of the Trust. The Sponsor expects that the price of a Share will fluctuate in response to fluctuations in the price of the euro and that the price of a Share will generally reflect accumulated interest as well as the estimated accrued but unpaid expenses of the Trust.

Investors may obtain, 24 hours a day, foreign exchange pricing information based on the spot price of euro from various financial information service providers. Current spot prices are also generally available with bid/ask spreads from foreign exchange dealers. In addition, the Trust's website will provide ongoing pricing information for euro spot prices and the Shares. Market prices for the Shares will also be available from a variety of sources, including brokerage firms, information websites and other information service providers. The net asset value ("NAV") of the Trust will be published by the Sponsor on each day that the NYSE is open for regular trading and will be posted on the Trust's website. The Trustee determines the NAV of the Trust. In doing so, the Trustee values the euro held by the Trust on the basis of the Noon Buying Rate, which is the euro/U.S. Dollar ("USD") exchange rate as determined by the Federal Reserve Bank of New York as of 12:00 p.m. (New York time) on each day that the NYSE is open for regular trading. If, on a particular evaluation day, the Noon Buying Rate has not been determined and announced by 2:00 p.m. (New York time), then the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate will be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for such valuation. In the event that the Trustee and the Sponsor determine that the most recent Federal Reserve Bank of New York determination of the Noon Buying Rate is not an appropriate basis for valuation of the Trust's euro, they will determine an alternative basis for such evaluation to be employed by the Trustee. The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares.

The Trust will terminate upon the occurrence of any of the termination events listed in the Trust Agreement and will otherwise terminate in 2045.

The Sponsor of the Trust is Rydex Specialized Products LLC, a Delaware limited liability company doing business as "Rydex Investments." The Sponsor is responsible for establishing the Trust and for the registration of the Shares. The Sponsor generally oversees the performance of the Trustee and the Trust's principal service providers, but does not exercise day-to-day oversight over the Trustee or such service providers. The Sponsor regularly communicates with the Trustee to monitor the overall performance of the Trust. The Sponsor, with assistance and support from the Trustee, is responsible for preparing and filing periodic reports on behalf of the Trust with the SEC. The Sponsor will designate the independent certified public accountants of the Trust and will employ legal counsel for the Trust.

The Bank of New York, a banking corporation with trust powers organized under the laws of the State of New York, serves as the Trustee. The Trustee is generally responsible for the day-to-day administration of the Trust, including keeping the Trust's operational records. The Trustee's principal responsibilities include selling the Trust's euro if needed to pay the Trust's expenses, calculating the NAV of the Trust and the NAV per Share, receiving and processing orders from Authorized Participants to create and redeem Baskets and coordinating the processing of such orders with the Depository and DTC.

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

To assist the Sponsor in marketing the Shares and in accordance with the Trust Agreement, the Sponsor will enter into a Distributor Agreement with the Rydex Distributors, Inc. (the "Distributor") and the Trust. The Distributor will assist the Sponsor in developing a marketing plan for the Trust, preparing marketing materials regarding the Shares, including the content on the Trust's website, executing the marketing plan for the Trust, and providing strategic and tactical research on the global foreign exchange market. The Sponsor may determine to engage additional or successor distributors. Any fees charged by the Distributor or by any additional or successor distributor will be paid by the Sponsor.

B. The Shares

As described further in this letter,² Shares will be issued and redeemed by the Trust in Baskets only, and only Authorized Participants will be allowed to create or redeem Baskets. The

² For a full description, see the section of the preliminary prospectus entitled "Creation and Redemption of Shares."

Trustee is authorized under the Trust Agreement to create and issue an unlimited number of Shares. The Trustee will create Shares only in Baskets and only upon the order of an Authorized Participant. The Shares represent units of fractional undivided beneficial interest in, and ownership of, the Trust and have no par value. Any creation and issuance of Shares above the amount registered with the SEC on the Trust's registration statement (No. 333-125581) (the "Registration Statement") will be registered with the SEC (and listed on the NYSE). The listing and the trading of the Shares on the NYSE are subject to the NYSE's listing requirements and rules.³

If the Trust is terminated and liquidated, then the Trustee will distribute to the Shareholders, upon surrender of their Shares, any amounts remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of such reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Trustee shall determine. All distributions will be made in U.S. dollars. The Trustee will effectuate the conversion and will determine the exchange rate, which will be proximate to the Noon Buying Rate on the record date for the distribution. Shareholders of record on the record date fixed by the Trustee for any distribution will be entitled to receive their pro-rata portions of the distribution.

The Sponsor and the Trustee will apply to DTC for acceptance of the Shares in its book-entry settlement system. If the Shares are eligible for book-entry settlement, then all Shares will be evidenced by global certificates issued by the Trustee to DTC and registered in the name of Cede & Co., as nominee for DTC. The global certificates will evidence all of the Shares outstanding at any time. Under the Trust Agreement, an Authorized Participant must (1) be a registered broker-dealer or else be exempt from being (or otherwise not be required to be) registered or regulated as a broker-dealer, (2) be a DTC participant and (3) have entered into a Participant Agreement with the Trustee. The Shares will be transferable only through the book-entry system of DTC. A Shareholder that is not a DTC Participant will only be able to transfer its Shares through DTC by instructing the DTC Participant holding its Shares (or by instructing a person that, by clearing securities through, or maintaining a custodial relationship with, a DTC participant, has access to the DTC clearing system or other entity through which its Shares are held) to transfer the Shares. Transfers will be made in accordance with standard securities industry practice.

C. Brief Overview of the Creation and Redemption of Shares

The Trust creates and redeems Shares in Baskets on a continuous basis. The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of euro represented by the Baskets being created or redeemed.

³ The NYSE has filed rule changes pursuant to Commission Rule 19b-4 and Section 19(b) of the Exchange Act for Commission approval of its listing and trading of Shares.

Authorized Participants are the only persons that may place orders to create and redeem Baskets. The Participant Agreement states the procedures for the creation and redemption of Baskets and for the delivery of euro required for creations and redemptions. The Participant Agreements may be amended by the Trustee and the Sponsor. Authorized Participants pay a transaction fee of \$500 to the Trustee for each order that they place to create or redeem one or more Baskets. Authorized Participants who make deposits with the Trust in exchange for Baskets receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

Certain Authorized Participants are expected to have the facility to participate directly in the global foreign exchange market. In some cases, an Authorized Participant may acquire euro from, or sell euro to, an affiliated foreign exchange trading desk, which may profit in these instances. The Sponsor believes that the size and operation of the foreign exchange market make it unlikely that an Authorized Participant's direct activities in the foreign exchange and securities markets will impact the price of euro or the price of Shares. Each Authorized Participant will be registered as a broker-dealer under the Exchange Act and will be regulated by the NASD, or else will be exempt from being (or otherwise will not be required to be) so registered or regulated, and will be qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Participants may be regulated under federal and state banking laws and regulations. Each Authorized Participant will have its own set of rules and procedures, internal controls and information barriers as it determines to be appropriate in light of its own regulatory regime.

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

D. Summary of Procedures for the Creation of Baskets

On any business day, an Authorized Participant may place an order with the Trustee to create one or more Baskets. Purchase orders placed by 4:00 p.m. New York time on a business day will have that day as the purchase order date. Purchase orders placed after 4:00 p.m. New York time on a business day will have the next business day as the purchase order date.

By placing a purchase order, an Authorized Participant agrees to deposit euro with the Trust, as described below. Before the delivery of Baskets for a purchase order, the Authorized Participant must also have wired to the Trustee the non-refundable transaction fee due for the purchase order.

The total deposit required to create each Basket, called the "Basket Euro Amount," is an amount equal to the amount of euro in the Trust (plus any accrued but unpaid interest and less any accrued but unpaid expenses) divided by the total number of Baskets outstanding on the

second business day after the date that the order to purchase is properly received. All questions as to the composition of a Basket Euro Amount are determined with finality by the Trustee.

An Authorized Participant who places a purchase order is responsible for delivering the Basket Euro Amount to the Interest Account by 9:30 a.m. New York time (usually 3:30 p.m. Central European Time), on the third business day after the purchase order date. Authorized Participants will use the SWIFT system to make timely deposits through their bank correspondents in London. Upon receipt of the euro deposit of an Authorized Participant, the Trustee will direct DTC to credit the number of Baskets ordered to the Authorized Participant's DTC account. The expense and risk of delivery, ownership and safekeeping of euro until such euro have been received by the Depository will be borne solely by the Authorized Participant.

E. Rejection of Purchase Orders

The Depository may reject a purchase order or a Basket Euro Amount during any period when the transfer books of the Trustee are closed or if any such action is deemed necessary or advisable by the Trustee or the Sponsor for any reason at any time or from time to time.

F. Summary of Procedures for the Redemption of Baskets

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place an order with the Trustee to redeem one or more Baskets. Redemption orders placed by 4:00 p.m. New York time on a business day will have that day as the redemption order date. Redemption orders placed after 4:00 p.m. New York time on a business day will have the next business day as the redemption order date. The redemption procedures allow Authorized Participants to redeem Baskets and do not entitle an individual Shareholder to redeem any Shares in an amount less than a Basket or to redeem Baskets other than through an Authorized Participant.

The redemption distribution from the Trust is a wire transfer to an account of the redeeming Authorized Participant identified by the Authorized Participant. The amount of euro redeemed will equal the amount of the euro held by the Trust (plus any accrued but unpaid interest less any accrued but unpaid expenses) divided by the total number of Baskets outstanding on the second business day after the redemption order date. All questions as to the amount of a redemption distribution are determined with finality by the Trustee.

The redemption distribution due from the Trust is delivered to the Authorized Participant on the third business day after the redemption order date if, by 3:30 p.m. Central European time (usually 9:30 a.m., New York time), on the third business day after the redemption order date, the Trustee's DTC account has been credited with the Baskets to be redeemed. If the Trustee's DTC account has not been credited with all of the Baskets to be redeemed by that time, then the redemption distribution is delivered to the extent of whole Baskets received. Any remainder of the redemption distribution is delivered on the next business day to the extent of remaining

whole Baskets received if the Trustee receives the fee applicable to the extension of the redemption distribution date that the Trustee may, from time to time, determine and the remaining Baskets to be redeemed are credited to the Trustee's DTC account by 3:30 p.m., Central European time, on such next business day. Any further outstanding amount of the the redemption order will be cancelled.

The Depository wires the redemption amount from the Interest Account to an account of the redeeming Authorized Participant identified by the Authorized Participant.

G. Suspension or Rejection of Redemption Orders

The Trustee will only suspend or reject redemption orders when it is prevented from effecting redemptions by reason of any provision of any present or future law, any act of God or war or terrorism or other circumstances beyond the control of the Trustee.

H. Creation and Redemption Transaction Fee

An Authorized Participant will pay a \$500 transaction fee to the Trustee, which will not be contributed to the Trust, for each creation or redemption order. An order may include multiple Baskets. The transaction fee may be reduced, increased or otherwise changed by the Trustee with the consent of the Sponsor. The Trustee shall notify DTC of any agreement to change the transaction fee and will not implement any increase in the fee for the redemption of Baskets until 30 days after the date of the notice.

I. The Formation of the Trust and the Initial Offering

The initial number of euro that must be deposited for issuance of one Basket or that is deliverable upon surrender of one Basket, the Basket Euro Amount, will be 5,000,000 euro. The number of euro comprising the Basket Euro Amount is expected to change over time based on a variety of factors. The Trustee, in consultation with the Sponsor, may from time to time increase or decrease the number of Shares comprising a Basket.

As described in Amendment 3 to the Registration Statement, prior to effectiveness the Sponsor will deposit 100 euro in the Interest Account in exchange for one Share. That same day the Trustee will instruct DTC to record, and DTC will record, the Share as owned by the Sponsor. The Sponsor will purchase the Share solely for the purpose of forming the Trust and the Sponsor will redeem the Share for 100 euro immediately after the SEC declares effective the Registration Statement. In order to provide liquidity for Shares when they first commence trading, the Initial Purchaser will, pursuant to a distributor agreement with the Sponsor, deposit 15,000,000 euro in the Interest Account and the Trustee will instruct DTC to record, and the Trustee will instruct DTC to record three Baskets totaling 150,000 Shares (consisting of 100 euro per Share) as owned by the Initial Purchaser (the "Initial Shares"). The Initial Purchaser intends to offer to the public the Initial Shares at a per-Share offering price that will vary depending on, among other factors, the price of the Shares on the NYSE at the time of the offer. Shares offered

by the Initial Purchaser at different times may have different offering prices. The Initial Purchaser will not receive from the Trust, the Sponsor, the Distributor or any of their affiliates any fee or other compensation in connection with the sale of the Shares. The Sponsor will initially register 8.5 million shares which will be resold by Authorized Participants at different offering prices, depending upon the then current market for the Shares.

2. Overview of the Foreign Exchange Industry and the Trading Market for Shares

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

Approximately 89% of foreign exchange transactions involve the USD, and approximately 37% involve the euro. The euro/USD pair is by far the most-traded currency pair and in recent years has comprised approximately 28% of the global turnover in foreign exchange.

There are three major kinds of transactions in the traditional foreign exchange markets: spot transactions, outright forwards and foreign exchange swaps. "Spot" trades are foreign exchange transactions that settle typically within two business days with the counterparty to the trade. Spot transactions account for approximately 35% of reported daily volume in the traditional foreign exchange markets. "Forward" trades, which are transactions that settle on a date beyond spot, account for 12% of the reported daily volume, and "swap" transactions, in which two parties exchange two currencies on one or more specified dates over an agreed period and exchange them again when the period ends, account for the remaining 53% of volume. There also are transactions in currency options, which trade both over-the-counter and, in the U.S., on the Philadelphia Stock Exchange. Currency futures are transactions in which an institution buys or sells a standardized amount of foreign currency on an organized exchange for delivery on one of several specified dates. Currency futures are traded in a number of regulated markets, including the International Monetary Market division of the Chicago Mercantile Exchange, the Singapore Exchange Derivatives Trading Limited (formerly the Singapore International Monetary Exchange or SIMEX) and the London International Financial Futures Exchange (LIFFE). Over 85% of currency derivative products (swaps, options and futures) are traded OTC.

Participants in the foreign exchange market have various reasons for participating. Multinational corporations and importers need foreign currency to acquire materials or goods from abroad. Banks and multinational corporations sometimes require specific wholesale

funding for their commercial loan or other foreign investment portfolios. Some participants hedge open currency exposure through off-balance-sheet products.

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

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

The Trust believes it is the first "exchange-traded fund" for the purpose of trading in foreign currency on a stock exchange. It provides investors with a cost-effective alternative to directly participating in foreign currency markets. Investors will be able to buy and sell Shares in the same manner as if they were purchasing stock in a NYSE listed company. The Shares will trade in dollars and will transfer through a brokerage account like shares in a publicly-traded company but the price is expected to reflect the relative value of euro held by the Trust.

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

3. Requests for Relief

A. Introduction

The Sponsor, on behalf of itself, the Trust, the Trustee, the Initial Purchaser, the Exchange and persons or entities engaging in transactions in Shares, requests that the Staff or the Commission grant an exemption from or interpretive or no-action advice or relief regarding Rule 10a-1 under, Rules 101 and 102 of Regulation M under, Rule 200(g) of Regulation SHO under, Section 11(d)(1) of, and Rule 11d1-2 under, the Exchange Act. The Sponsor, on behalf of the Distributor, requests that the Staff or the Commission grant exemptions from or interpretive or no-action advice or relief regarding Rule 101 of Regulation M under the Exchange Act.

B. Exchange Act Rule 10a-1

Rule 10a-1(a)(1)(i) under the Exchange Act provides that a short sale of an exchange-traded security may not be effected below the last regular-way sale price, nor at such price unless such price is above the next preceding different price at which a sale was reported. The Sponsor requests relief from the rule and believes that such relief is appropriate because the Shares will be traded on the NYSE and are securities whose value is based on the euro which trades throughout the world on a 24-hour basis in active markets. Application of Rule 10a-1 to transactions in the Shares would not further the rule's purposes, and exempting such transactions from the rule would not be inconsistent with the purposes of the rule.

A primary purpose of Rule 10a-1 is to prevent the market price of a stock from being manipulated downward by unrestricted short selling. The Sponsor anticipates, however, that the market value of the Shares will rise or fall based on the changes in the value of the underlying currency and that the price of the Shares would not decline absent a decline in the value of the underlying euro.⁴ In addition, the Sponsor believes that any temporary disparities in relative market values between the Shares and the underlying euro will tend to be corrected by the arbitrage activity discussed above.

Under these circumstances, the Sponsor believes it unlikely that short sales of the Shares could be used to depress their price. Indeed, the Staff has agreed with this conclusion in the cases of several passive, unmanaged vehicles; e.g., the streetTRACKS Gold Trust ("Gold Trust"), SPDR Trust, Series 1 ("SPDR Trust"), the MidCap SPDR Trust, Series 1 ("MidCap Trust"), the DIAMONDS Trust, Series 1 ("DIAMONDS Trust"), the NASDAQ-100 Trust, Series 1 ("NASDAQ-100 Trust"), HOLDRs and the BLDRs Index Funds Trust ("BLDRs"), all

⁴ The Trust will pay ongoing expenses from interest earned on the Interest Account. If the interest earned on the Interest Account is insufficient to fully pay the expenses, then the Trust will sell euro in the Interest Account to pay the Trust's ongoing expenses. If the Trust sells euro to pay ongoing expenses, then the number of euro represented by each Share will gradually decrease over time and, assuming a constant euro price, the price of the Shares can be expected to decrease correspondingly.

of which issue exchange-traded securities whose prices reflect a portfolio of securities or underlying commodity.⁵

As is the case for investors in the financial products mentioned above, the ability to sell short is important for investors in the Shares, as it will make possible the arbitrage activities described above. Further, the trading market for Shares would be harmed if Rule 10a-1 operated to prevent dealers or exchange specialists from making short sales to satisfy customer demand in the absence of an uptick. This would contradict the public interest in liquid, efficient securities markets.

The depth and liquidity of the world markets for euro provide facilities for arbitrage and hedging transactions in the Shares. The Sponsor believes that this arbitrage-enhanced linkage, coupled with the inability of traders to create Shares without depositing euro with the Trust, should prevent trading in Shares from being manipulated or used to manipulate the euro market.

C. Rules 101 and 102 of Regulation M

Subject to certain enumerated exceptions, Rules 101 and 102 of Regulation M prohibit a “distribution participant,” and the issuer or a selling security holder, respectively, in connection with a distribution of securities, from bidding for or purchasing, or from attempting to induce any person to bid for or purchase, a “covered security” during the applicable restricted period. “Distribution participant” is defined in Rule 100(b) to include an underwriter or prospective underwriter in a particular distribution of securities, or any broker, dealer or other person that has agreed to participate or is participating in such a distribution.⁶

⁵ See letter from James A. Brigagliano, Assistant Director, Office of Trading Practices, Division of Market Regulation to Kathleen H. Moriarty, Esq., Carter, Ledyard & Milburn dated November 17, 2004 (regarding the trading of shares issued by the Gold Trust); see letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation to James F. Duffy, Senior Vice President and General Counsel, the American Stock Exchange (“Amex”), dated January 22, 1993 (regarding the trading of SPDRs issued by the SPDR Trust); see letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation to James F. Duffy, Executive Vice President and General Counsel, Amex, dated April 21, 1995 (regarding the trading of MidCap SPDRs); see letter from Larry E. Bergmann, Senior Associate Director, Division of Market Regulation to James F. Duffy, Amex, dated January 9, 1998 (regarding the trading of DIAMONDS issued by the DIAMONDS Trust); see letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to James F. Duffy, Executive Vice President and General Counsel, Amex, dated March 3, 1999 (regarding the trading of the Nasdaq-100 Trust), see letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Claire P. McGrath, Amex, dated November 3, 1999 (regarding the trading of HOLDERS), see letter from James A. Brigagliano, Assistant Director, Division of Market Regulation to Edward S. Knight, Executive Vice President and General Counsel, NASDAQ Stock Market Inc., (“NASDAQ”) dated November 12, 2002 (regarding an extension to NASDAQ of the application of “generic” relief previously granted to the AMEX with respect to certain exchange traded funds occasioned by the listing of BLDRs for trading on NASDAQ).

⁶ We note that Rule 100(b) of Regulation M defines “distribution” for purposes of the Rule as an offering of securities, whether or not subject to registration under the Securities Act, that is distinguished from an ordinary

The Sponsor requests that the Staff or the Commission grant an exemption from Rule 101, as discussed below, to permit persons that may be deemed to be participating in a distribution of Shares (including the Authorized Participants) to bid for or purchase, redeem or otherwise engage in other secondary market transactions in such Shares during the applicable restricted period. The Sponsor also requests that the Staff or the Commission grant an exemption from Rule 101 to permit the Distributor to publish research during the applicable restricted period.⁷ Similarly, the Sponsor requests that the Staff or the Commission grant an exemption from Rule 102, as discussed below, to permit the Sponsor, selling security holders or any affiliated persons, and the Trust and its affiliated purchasers, to bid for or purchase or, indirectly through an Authorized Participant, redeem Shares during the applicable restricted period like an exchange-traded fund (“ETF”) organized as a unit investment trust (“UIT”). The purpose of Rules 101 and 102 is to prevent persons from conditioning the market to facilitate a distribution. Application of Rules 101 and 102 to the Shares in these circumstances would not further the anti-manipulative purposes underlying the Rules.

The Staff has previously granted no-action relief with respect to Rule 101 of Regulation M⁸ to the Gold Trust, the SPDR Trust, the MidCap Trust, the DIAMONDS Trust and the NASDAQ-100 Trust and other ETFs on substantially similar grounds.⁹ Although, unlike the ETFs, the Trust is not a registered investment company, like the ETFs the Trust is not able to avail itself of the exception from Rule 101 afforded to an open-end management investment company of a UIT (as such terms are used in the Investment Company Act of 1940).¹⁰

trading transaction by the magnitude of the offering and the presence of special selling efforts and selling methods. We acknowledge that a broker-dealer that acts as an Authorized Participant could be deemed under certain circumstances to be an “underwriter” or “distribution participant,” as those terms are defined in Rule 100(b), even though such broker-dealer is not part of a syndicate or selling group and receives no fees, commissions or other remuneration from the Trust for its activities as Authorized Participant.

⁷ The Distributor intends to publish certain market-related information on the Trust’s website during the applicable restricted period, including general information about the currency market (including euro), specific information regarding the Shares, the net asset value of the Trust’s assets and the then-current market prices of the Shares.

⁸ See also, Bullion Security Corporation, No-Action Letter (pub. avail. Dec. 9, 1988), in which the Commission granted an exemption from Rule 10b-6 under the Exchange Act to permit the trustee to redeem outstanding units of undivided beneficial interest in the trust (which comprised two portfolios, one holding gold and the other holding gold eagle coins), pursuant to the trust’s proposed redemption program and to permit the sponsor of the trust to purchase trust units pursuant to the sponsor’s proposed option during a continuous offering of the trust’s units.

⁹ See *supra* note 17.

¹⁰ See Rule 101(c) (4).

As discussed above, due to the redeemability of Shares in Baskets (and the passive nature of the Trust) the Sponsor believes that there should be little disparity between the market price of a Share and the value of the euro represented by that Share.¹¹ Accordingly, the rationale for exempting redeemable securities of ETFs from the application of Rule 101 is equally applicable to the Shares. Although redemption is subject to the minimum condition of tendering 50,000 Shares, the Trust, being an ETF, is intended to function like a UIT continuously offering its shares. It is in recognition of the special nature of continuous offerings that open-end management investment company and UIT securities are exempted under paragraph (c) (4) of Rule 101 and that the Staff has been willing to grant no-action relief to ETFs. Without such an exemption, or no-action relief, each of those issuers could not operate as intended. The Trust respectfully requests that the Staff or the Commission grant an exemption under paragraph (d) of Rule 101 to such effect or adopt a no-action position permitting distribution participants to engage in secondary market transactions in the Shares. Application of Rule 101 in this context would not further the anti-manipulative purposes underlying the Rule.

Orders may be placed for Baskets to be created and redeemed, in kind, on any business day. Beneficial owners of Shares also have the benefit of intra-day secondary market liquidity by virtue of the Exchange listing. Because of the redeemability of Baskets and the open-ended character of the Trust, any significant disparity between the market price of the Shares and the value of euro represented by the Shares should be eliminated by arbitrage. Because their trading value is determined largely by the market value of the Trust's portfolio of euro, neither the creation nor redemption of Shares, nor purchases or sales in the secondary market, will impact the value of euro represented by the Shares, and such transactions should not have a significant impact on the market value of the Shares.

In view of the predictable lack of any meaningful potential for the issuance and the secondary market trading of Shares to affect significantly Share pricing, application of Rule 101 to the Distributor and to Authorized Participants that may be participating in a distribution is unnecessary and inappropriate and could hinder Authorized Participants in their creation and redemption activities and undermine the potential beneficial market effects of Share trading and arbitrage.

The Sponsor also requests that the Staff or the Commission confirm that, as a result of the redeemable nature of the Shares, the Staff or the Commission would grant an exemption under paragraph (e) of Rule 102 or adopt a no-action position permitting the Trust to redeem Shares in Baskets during the continuous offering of Shares, and permitting the Trust's affiliated purchasers, as defined in Rule 100 of Regulation M, to engage in redemption transactions and secondary market transactions in Shares. The purpose of Rule 102 is to prevent persons from manipulating the price of a security during a distribution and to protect the integrity of the

¹¹ In the event of unanticipated impediments to creations and/or redemptions of Baskets, larger discounts or premiums may occur.

offering process by prohibiting activities that could artificially influence the market for the security being distributed. The Sponsor respectfully submits that the redemption transactions and secondary market transactions described in this letter and the Registration Statement do not constitute a manipulative or deceptive practice for purposes of Rule 102 of Regulation M and that affiliated purchasers should be exempted from the provisions of Rule 102 to permit redemptions of Shares in Baskets during the continuous offering of the Shares.

D. Rule 200(g) of Regulation SHO

Rule 200(g) of Regulation SHO ("Rule 200(g)") provides that a broker-dealer must mark all sell orders of any equity security as "long," "short" or "short exempt." Rule 200(g)(2) requires that a short sale order must be marked "short exempt" if the seller is relying on an exception from the uptick requirements of Rule 10a-1 of the Exchange Act or any short sale price test of any Exchange. As of January 3, 2005, under Regulation SHO, broker-dealers are generally required to mark "short exempt" all short sales effected in any class of products, or during certain specified periods of time, that have been granted an exemption from a price test, such as that requested by the Sponsor in this letter. The Staff has provided no-action relief to the Securities Industry Association (the "SIA Letter")¹² that, subject to certain conditions, permits broker-dealers to mark short sales as "short" rather than "short exempt" for, among other things, short sales effected in certain ETFs that had been granted an exemption from a price test.

Consistent with the SIA Letter, the Sponsor requests that the Staff not recommend that the Commission take enforcement action under Rule 200(g) of Regulation SHO if a broker-dealer marks "short," rather than "short exempt," a short sale that is effected in Shares of the Trust, subject to the following conditions set forth in the SIA Letter:

"(i) For each exempt short sale, the various market centers that execute such sales have instituted procedures to 'mask' the short sale character of the transaction so that they are executed as short exempt;"

"(ii) Such market centers monitor on a regular basis to confirm that any such product or transaction continues to meet the conditions for the exemptive relief and re-institute the price test for any product or transaction that fails to satisfy such conditions;"

¹² Letter from James A. Brigagliano, Division of Market Regulation, to Ira Hammerman, dated January 3, 2005, File No. TP 05-11 (granting relief from Regulation SHO with regard to ETFs that had previously been granted an exemption from a price test). See also Letters from James A. Brigagliano, Division of Market Regulation, to: (1) Kathleen H. Moriarty, dated March 9, 2005, File No. TP 04-19, for the Vanguard Emerging Markets Stock Index Fund, Vanguard European Stock Index Fund and Vanguard Pacific Stock Index Fund; (2) Stuart M. Strauss, dated March 2, 2005, File No. TP05-15, with respect to PowerShares WilderHill Clean Energy Portfolio Fund; and (3) Jack P. Drogin, dated August 4, 2005, File No. TP 05-88, for the iShares MSCI EAFE Growth Index Fund and iShares MSCI EAFE Value Index Fund.

“(iii) A broker-dealer executing exempt short sales will mark such sales as ‘short,’ and in no event will such sales be marked ‘long;’” and

“(iv) The market centers will maintain an audit trail of all such trade executions, which is capable of being produced and subject to review upon request by the Commission and other appropriate regulatory authorities.”

E. Exchange Act Section 11(d)(1): Exchange Act Rule 11d1-2

Section 11(d)(1) of the Exchange Act generally prohibits a person who is a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which the broker-dealer participated as a member of a selling syndicate or group within thirty days prior to such transaction. Rule 11d1-2 provides an exemption from Section 11(d)(1) for a security issued by a registered open-end investment company or UIT with respect to transactions by a broker-dealer that extends credit on the security, provided the person to whom credit has been extended has owned the security for more than thirty days.

The Sponsor requests clarification that Section 11(d)(1) does not apply to broker-dealers (other than the Distributor) that do not create or redeem Shares but that engage in both proprietary and customer transactions in Shares exclusively in the secondary market. We note that, other than the Distributor with respect to the Distributor’s fees,¹³ no broker-dealer or any natural person associated with such broker-dealer, directly or indirectly (including through any affiliate of such broker-dealer), receives from the Trust complex¹⁴ any payment, compensation or other economic incentive to promote or sell Shares to persons outside of the Trust complex, other than non-cash compensation permitted under NASD Rule 2830(1)(5)(A), (B) or (C).

In addition, although the Trust is not registered under the Investment Company Act of 1940 (“ICA”), in view of the substantial similarities between the Trust and ETFs, the Sponsor

¹³ The Distributor will be paid fees for providing assistance to the Sponsor in (1) developing a marketing plan for the Trust on an on-going basis, (2) preparing marketing materials regarding the Shares, including the content of the Trust’s website, (3) executing the marketing plan for the Trust, and (4) incorporating euro into its strategic and tactical research. The Distributor’s fees will not be shared, split or otherwise made available in whole or in part by the Distributor to any other broker-dealer or any natural person associated with such broker-dealer. In addition, the Distributor, as a broker-dealer registered with the Commission, may execute purchases and sell Shares on behalf of its customers but will not act as an Authorized Participant and will not create or redeem Shares at any time.

¹⁴ The “Trust complex” includes the Trust, the Sponsor, the Trustee, the Depository, the Distributor, the Initial Purchaser, Rydex Investments and its members, the issuer of any other trust or any investment company, UIT, or fund that holds itself out to investors as a related entity for purposes of investment or investor services, any investment adviser or marketing agent (or person performing a similar function) for any such issuer, and any “affiliated person” (as defined in the Investment Company Act of 1940) of any such person.

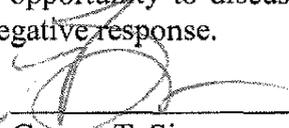
requests the staff confirm that it will not recommend enforcement action to the Commission under Section 11(d)(1) of the Exchange Act against broker-dealers other than the Distributor, that treat Shares, for purposes of Rule 11d1-2 under the Exchange Act, as "securities issued by a registered . . . unit investment trust as defined in the Investment Company Act" and, thereby, in reliance on the exemption contained in the Rule, directly or indirectly, extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days.

Finally, although the Trust is not an open-end investment company or unit investment trust registered with the Commission under the ICA, in view of the substantial similarities between the Trust and ETFs, the Sponsor requests the staff confirm that it will not recommend enforcement action to the Commission under Section 11(d)(1) of the Exchange Act against an Authorized Participant that treat Shares, for purposes of Section 11(d)(1) of the Exchange Act, as shares of a Qualifying ETF (as defined in the Letter re: Derivative Products Committee of the Securities Industry Association (November 21, 2005)) and, thereby, in reliance on the class exemption in that letter, extends credit or maintains or arranges for the extension or maintenance of credit on Shares, provided that the Authorized Participant satisfies conditions 1 and 2 set forth in that letter.

* * * * *

Additional copies of this letter are enclosed pursuant to Securities Act Release No. 33-6269 (December 5, 1980). If you have any questions regarding this letter or need any additional information, please do not hesitate to contact the undersigned at (312) 832-4554 or Jonathon Mallin at (313) 234-7106 .

If the Staff believes that it is unable to concur with the Sponsor's positions expressed in this letter, we would appreciate the opportunity to discuss the request for relief with the Staff prior to the issuance of a proposed negative response.



George T. Simon
Foley & Lardner LLP
Counsel for Rydex Specialized Products LLC