

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55292; File No. SR-Amex-2006-86)

February 14, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1, 2, and 3 Thereto, Relating to the Listing and Trading of Shares of the PowerShares DB US Dollar Index Bullish Fund and the PowerShares DB US Dollar Index Bearish Fund

I. Introduction

On September 13, 2006, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> On November 17, 2006, Amex filed Amendment No. 1 to the proposed rule change. On December 19, 2006, Amex filed Amendment No. 2 to the proposed rule change. On January 12, 2007, Amex filed Amendment No. 3 to the proposed rule change. The proposed rule change, as amended, was published for comment in the Federal Register on January 24, 2007 for a 15-day comment period.<sup>3</sup> The Commission received no comments on the proposal. This Order approves the proposed rule change, as modified by Amendment Nos. 1, 2, and 3, on an accelerated basis.

II. Description of the Proposal

Pursuant to Commentary .07 of Amex Rule 1202, the Exchange proposes to list and trade shares of the PowerShares DB US Dollar Index Bullish Fund (the “Bullish Fund”) and the PowerShares DB US Dollar Index Bearish Fund (the “Bearish Fund,” and together with the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 55110 (January 16, 2007), 72 FR 3171 (“Notice”).

Bullish Fund, the “Funds”), each of which represents a series of the DB US Dollar Index Trust (the “Trust”). The shares of each of the Funds (the “Shares”) represent beneficial ownership interests in the corresponding common units of beneficial interests of the DB US Dollar Index Master Bullish Fund (the “Master Bullish Fund”) and the DB US Dollar Index Master Bearish Fund (the “Master Bearish Fund,” and together with the Master Bullish Fund, the “Master Funds”), respectively. Each of the Funds and each of the Master Funds are commodity pools operated by DB Commodity Services LLC (the “Managing Owner”). The Trust and the Funds will not be subject to registration and regulation under the Investment Company Act of 1940.

In its proposal, the Exchange provided detailed descriptions regarding the overall investment objectives of the Funds, the calculation methodology and components of the underlying indexes, the structure and operation of the Funds, and the listing and trading of the Shares. Key features of the proposal are noted below.

The Underlying Indexes. The overall investment objective of each of the Funds and the Master Funds is to reflect the performance of their respective benchmark index, less expenses, plus the excess, if any, of the corresponding Master Fund’s interest income from its holdings of U.S. Treasury and other high-credit-quality, short-term fixed income securities over its expenses. The Bullish Fund will seek to track the “Long Index” by investing in long positions in futures contracts (“DX Contracts”) on the U.S. Dollar Index® (“USDx”), and the Bearish Fund will seek to track the “Short Index” by investing in short positions in DX Contracts on the USDx. Both the Long Index and Short Index (collectively, the “Indexes”) are designed to reflect the return from investing in the first-to-expire DX Contract. DX Contracts are traded through the FINEX currency markets of the New York Board of Trade (“NYBOT”). As discussed more fully in the Notice, the USDx is composed of six underlying foreign currencies (the “Index

Currencies”), and the value of the USDX reflects a general indication of the international value of the USD by averaging the exchange rates between the U.S. Dollar (“USD”) and the Index Currencies.

The use of a long position in a DX Contract in the construction of the Long Index would cause the Long Index level to rise as a result of any upward price movement in the DX Contract. Conversely, the use of a short position in a DX Contract in the construction of the Short Index would cause the Short Index level to rise as a result of any downward price movement in the DX Contract. As a result, the performance of the Long Index and Short Index would reflect any rise or fall of the USD versus the underlying basket of Index Currencies.

Creation and Redemption of Shares. Issuances of the Shares will be made only in one or more blocks of 200,000 Shares (each such block, a “Basket”). Each of the Funds will issue and redeem Shares on a continuous basis, by or through participants that have entered into participant agreements (each, an “Authorized Participant”) with the Managing Owner at the net asset value (“NAV”) per Share next determined after an order to purchase a Basket is received in proper form. A Basket will be issued in exchange for a cash amount equal to the NAV per Share times 200,000 Shares (the “Cash Deposit Amount”). The Bank of New York (the “Administrator”) will determine the Cash Deposit Amount on each business day. An Authorized Participant that wishes to purchase a Basket must transfer the Cash Deposit Amount to the Administrator. Authorized Participants that wish to redeem a Basket will receive cash in exchange for each Basket surrendered in an amount equal to the NAV per Basket.

Availability of Information. As set forth in the Notice, information regarding the Shares will be available through Exchange, the Index Sponsor, and various independent sources. Deutsche Bank AG London (the “Index Sponsor”) will calculate the values of the Indexes during

the trading day and such values will be disseminated at least every 15 seconds through major market data vendors and the Index Sponsor's Web site.<sup>4</sup> The Exchange will also disseminate for each of the Funds on a per-Share basis an updated "Indicative Fund Value," which reflects the cash required for creations and redemptions for each Fund, adjusted to reflect the price changes of the DX Contracts and the holdings of U.S. Treasury securities and other high-credit-quality, short-term fixed income securities, at least every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:15 p.m. Eastern Time ("ET"). Shortly after 4:00 p.m. ET each business day, the Administrator will determine the NAV for each of the Funds, and the NAV per Share for each of the Funds will be disseminated to all market participants at the same time.<sup>5</sup>

On each business day, the Administrator will make available immediately prior to the opening of trading on Amex the most recent Cash Deposit Amount for the creation of a Basket, and the Exchange will disseminate the current value of the Cash Deposit Amount on a per-Share basis at least every 15 seconds throughout the trading day. The daily settlement prices of the DX Contracts, specific contract specifications, and delayed futures contract information on current and past trading sessions, including futures quotes and last sale information, are publicly available on NYBOT's Web site and on the Web sites of various market data vendors, news publications, automated quotation systems, or other financial information services.

The Exchange also intends to disseminate on a daily basis for each of the Funds

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<sup>4</sup> Amex has represented that the Managing Owner would seek to arrange to have each Index calculated and disseminated at least every 15 seconds on a daily basis through a third party if the Index Sponsor ceases to calculate and disseminate an Index. If, however, the Managing Owner is unable to arrange the calculation and dissemination of any Index value, the Exchange will undertake to delist the Shares related to such Index.

<sup>5</sup> The Exchange stated that if the NAV per Share for any Fund is not disseminated to all market participants at the same time, it would halt trading in the Shares of such Fund.

information with respect to the daily trading volume of each of the Shares, the number of Shares outstanding, the closing prices of each Fund's Shares, the corresponding NAV, and a hyperlink on its Web site to the Index Sponsor's Web site. The Web site for each of the Funds and/or the Exchange will also contain the following information: (1) the current NAV per Share daily, the prior business day's NAV, and the reported closing price; (2) the mid-point of the bid-ask price in relation to the NAV as of the time the NAV is calculated (the "Bid-Ask Price"); (3) the calculation of the premium or discount of such price against such NAV; (4) data in chart form displaying the frequency distribution of discounts and premiums of the Bid-Ask Price against the NAV, within appropriate ranges for each of the four previous calendar quarters; (5) the prospectus; and (6) other applicable quantitative information.

The Exchange further states that each of the Funds is subject to the criteria in Commentary .07 of Amex Rule 1202, and for purposes of the initial and continued listing requirements, the Shares would be in compliance with Section 803 of the Amex Company Guide and Rule 10A-3 under the Act.<sup>6</sup> Because the Shares would trade as equity securities, the Shares would be subject to applicable Amex rules governing the trading of equity securities, including, among others, rules governing priority, parity, and precedence of orders; specialist responsibilities; account opening; and customer suitability (Amex Rule 411).

### III. Discussion and Commission's Findings

After careful consideration, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder

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<sup>6</sup> 17 CFR 240.10A-3.

applicable to a national securities exchange.<sup>7</sup> In particular, the Commission finds that the proposal is consistent with the requirements of Section 6(b)(5) of the Act,<sup>8</sup> which requires, among other things, that the Exchange's rules be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general to protect investors and the public interest. The Commission notes that these Funds are substantially similar to other funds, the listing and trading of shares of which have previously been approved by the Commission. Such shares are currently trading pursuant to Commentary .07 to Amex Rule 1202.<sup>9</sup>

The Commission further believes that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Exchange Act,<sup>10</sup> which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities. Key information will be disseminated at least every 15 seconds throughout the trading day, including the value of each Index<sup>11</sup> and the Indicative Fund Value on a per-Share basis for each Fund. The NAV of each of the Funds will be

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<sup>7</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> See e.g., Securities Exchange Act Release Nos. 55029 (December 29, 2006), 72 FR 806 (January 8, 2007) (SR-Amex-2006-76) (DB Multi-Sector Commodity Trust); 54450 (September 14, 2006), 71 FR 55230 (September 21, 2006) (SR-Amex-2006-44) (PowerShares DB G10 Harvest Fund, formerly known as DB Currency Index Value Fund); and 53105 (January 11, 2006), 71 FR 3129 (January 19, 2006) (SR-Amex-2005-059) (DB Commodity Index Tracking Fund).

<sup>10</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

<sup>11</sup> A number of independent sources verify both the intraday and closing Index values. See Notice, 72 FR at 3173, note 13.

calculated once each trading day and disseminated to all market participants at the same time. In addition, daily settlement prices, futures quotes, and last-sale information for the DX Contracts will be disseminated through a variety of major market data vendors, and complete real-time data for such futures are available by subscription from such vendors. The Exchange's Web site will also disclose information regarding the Shares, including among other things, the current value of the Cash Deposit Amount for the creation of a Basket, daily trading volume, the closing price, and the number of Shares outstanding.

In support of this proposal, the Exchange has made the following representations:

- (1) Amex would rely on its existing surveillance procedures, which are adequate to monitor the trading of the Shares and to deter and detect violations of applicable rules. Specifically, the Exchange will rely on its surveillance procedures applicable to trust-issued receipts, portfolio depository receipts, and index fund shares and will incorporate and rely upon existing Amex surveillance procedures governing options and equities. In addition, Amex has in place an information sharing agreement with NYBOT, which is a member of the Intermarket Surveillance Group.
- (2) The Index Sponsor has in place procedures to prevent the improper sharing of information between different affiliates, departments, and employees of the Index Sponsor. Specifically, an information barrier exists between the personnel of the Index Sponsor that calculate and reconstitute the Indexes and other personnel of the Index Sponsor, including, without limitation, the Managing Owner, employees involved in sales and trading activities, internal and external fund managers, and certain bank personnel.

- (3) Amex will distribute an Information Circular to its members providing guidance with regard to the special characteristics and risks of trading this type of security, the creation and redemption procedures, applicable Amex rules, the various fees and expenses, and the prospectus delivery requirements applicable to the Funds.

This Order is conditioned on Amex's adherence to the foregoing representations.

The Commission finds good cause to approve the proposed rule change, as modified by Amendment Nos. 1, 2, and 3 thereto, prior to the thirtieth day after publication for comment in the Federal Register pursuant to Section 19(b)(2) of the Act.<sup>12</sup> The Shares are similar to certain trust-issued receipts, the listing and trading of which have previously been approved by the Commission, and do not appear to present any new regulatory concerns.<sup>13</sup> Furthermore, the Commission did not receive any comments on the proposal. Accelerating approval will allow the Shares to trade on Amex without undue delay and should generate additional competition in the market for such products.

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<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> See supra note 9.



IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-Amex-2006-86), as modified by Amendment Nos. 1, 2, and 3, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

Nancy M. Morris  
Secretary

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<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).