Number SR–NASDAQ–2011–120 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–NASDAQ–2011–120. 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 Web site viewing and printing 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–NASDAQ–2011–120 and should be submitted on or before September 30, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[6]

Dated: September 1, 2011

Elizabeth M. Murphy

Secretary

[FR Doc. 2011–23034 Filed 9–8–11; 8:45 am]

BILLING CODE 8011–01–P

[6] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–65249; File No. SR–NYSEArca–2011–63]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change To List and Trade Shares of the United States Metals Index Fund, the United States Agriculture Index Fund and the United States Copper Index Fund Under NYSE Arca Equities Rule 8.200

September 2, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that, on August 19, 2011, NYSE Arca, Inc. (the ''Exchange'' or ''NYSE Arca'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade shares of the United States Metals Index Fund (''USMI''), the United States Agriculture Index Fund (''USAI'') and the United States Copper Index Fund (''USCUI'') (together, the ''Funds'') under NYSE Arca Equities Rule 8.200. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and *http://www.nyse.com.*

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization 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 those 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 parts of such statements.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

NYSE Arca Equities Rule 8.200, Commentary .02 permits the trading of Trust Issued Receipts either by listing or pursuant to unlisted trading privileges (''UTP'').[3] The Exchange proposes to list and trade shares (''Units'') of the Funds pursuant to NYSE Arca Equities Rule 8.200.

The Exchange notes that the Commission has previously approved the listing and trading of other issues of Trust Issued Receipts on the American Stock Exchange LLC,[4] trading on NYSE Arca pursuant to unlisted trading privileges (''UTP''),[5] and listing on NYSE Arca.[6] Among these is the United States Commodity Index Fund, which, like the Funds, is a series of the United States Commodity Index Funds Trust (''Trust'').[7] In addition, the Commission has approved the listing and trading of other exchange-traded fund-like products linked to the performance of underlying commodities.[8]

The Units represent beneficial ownership interests in the Funds, as described in the Registration Statement.[9] The Funds are commodity

[3] Commentary .02 to NYSE Arca Equities Rule 8.200 applies to Trust Issued Receipts that invest in ''Financial Instruments.'' The term ''Financial Instruments,'' as defined in Commentary .02(b)(4) to NYSE Arca Equities Rule 8.200, means any combination of investments, including cash; securities; options on securities and indices; futures contracts; options on futures contracts; forward contracts; equity caps, collars and floors; and swap agreements.

[4] *See, e.g.,* Securities Exchange Act Release No. 58161 (July 15, 2008), 73 FR 42380 (July 21, 2008) (SR–Amex–2008–39).

[5] *See, e.g.,* Securities Exchange Act Release No. 58163 (July 15, 2008), 73 FR 42391 (July 21, 2008) (SR–NYSEArca–2008–73).

[6] *See, e.g.,* Securities Exchange Act Release No. 58457 (September 3, 2008), 73 FR 52711 (September 10, 2008) (SR–NYSEArca–2008–91).

[7] *See* Securities Exchange Act Release No. 62527 (July 19, 2010), 75 FR 43606 (July 26, 2010) (SR–NYSEArca–2010–44) (order approving listing on the Exchange of United States Commodity Index Fund).

[8] *See, e.g.,* Securities Exchange Act Release Nos. 57456 (March 7, 2008), 73 FR 13599 (March 13, 2008) (SR–NYSEArca–2007–91) (order granting accelerated approval for NYSE Arca listing the iShares GS Commodity Trusts); 59781 (April 17, 2009), 74 FR 18771 (April 24, 2009) (SR–NYSEArca–2009–28) (order granting accelerated approval for NYSE Arca listing the ETFS Silver Trust); 59895 (May 8, 2009), 74 FR 22993 (May 15, 2009) (SR–NYSEArca–2009–40) (order granting accelerated approval for NYSE Arca listing the ETFS Gold Trust); 61219 (December 22, 2009), 74 FR 68886 (December 29, 2009) (order approving listing on NYSE Arca of the ETFS Platinum Trust).

[9] *See* the Funds' registration statement on Form S–1 for the United States Commodity Index Funds Trust, dated November 24, 2010 (File No. 333–170844) relating to the Funds (''Registration

pools that are series of the Trust, a Delaware statutory trust. The Funds are managed and controlled by United States Commodity Funds LLC (''Sponsor''). The Sponsor is a Delaware limited liability company that is registered as a commodity pool operator (''CPO'') with the Commodity Futures Trading Commission (''CFTC'') and is a member of the National Futures Association (''NFA'').

United States Metals Index Fund (''USMI'')

According to the Registration Statement, the investment objective of USMI is for the daily changes in percentage terms of its Units' net asset value (''NAV'') to reflect the daily changes in percentage terms of the SummerHaven Dynamic Metals Index Total Return (the ''Metals Index''), less USMI's expenses. The Metals Index is designed to reflect the performance of a diversified group of metals. The Metals Index is owned and maintained by SummerHaven Index Management, LLC (''SummerHaven Indexing'') and calculated and published by the Exchange.

The Metals Index is a metal sector index designed to broadly represent industrial and precious metals while overweighting the components that are assessed to be in a low inventory state and underweighting the components assessed to be in a high inventory state. The Metals Index consists of six (6) base metals and four (4) precious metals. The base metals are aluminum, copper, zinc, nickel, tin, and lead. The precious metals are gold, silver, platinum, and palladium. Each metal is assigned a base weight based on an assessment of market liquidity and the metal's overall economic importance.

Academic research by Professors Gorton, Rouwenhorst and Hayashi has shown that commodities in relatively low inventory states tend to have higher returns than commodities in relatively high inventory states.[10] Furthermore, relative inventory comparisons can be estimated by the price-based signals of momentum and basis. Momentum is the percentage price change in a commodity over the previous year. Basis is the annualized percentage difference between the nearest-to-maturity contract and the second nearest-to-maturity contract. Using these price-based signals, metals determined to be in low inventory state will be weighted more heavily, and metals in high inventory state will be weighted less heavily during any given month.

The Metals Index is rules-based and is rebalanced monthly based on observable price signals described above. In this context, the term ''rules-based'' is meant to indicate that the composition of the Metals Index in any given month will be determined by quantitative formulas relating to the prices of the futures contracts that relate to the commodities that are included in the Metals Index. Such formulas are not subject to adjustment based on other factors.

Futures contracts for metals in the Metals Index that are traded on New York Mercantile Exchange (''NYMEX''), London Metal Exchange (''LME''), and Commodity Exchange, Inc. (''COMEX'') are collectively referred to herein as ''Eligible Metals Futures Contracts.'' The 10 Eligible Metals Futures Contracts that at any given time have been designated as a component of the Metals Index are referred to as the ''Benchmark Component Metals Futures Contracts.'' The relative weighting of the Benchmark Component Metals Futures Contracts will change on a monthly basis, based on quantitative formulas developed by SummerHaven Indexing relating to the prices of the Benchmark Component Metals Futures Contracts.

The overall return on the Metals Index is generated by two components: (i) Uncollateralized returns from the Benchmark Component Metals Futures Contracts comprising the Metals Index, and (ii) a daily fixed income return reflecting the interest earned on a hypothetical 3-month U.S. Treasury Bill collateral portfolio, calculated using the weekly auction rate for the 3-Month U.S. Treasury Bill published by the U.S. Department of the Treasury. Information regarding the Metals Index methodology may also be accessed by the public from SummerHaven Indexing's Web site at *http://www.summerhavenindex.com.*

Because the Metals Index is comprised of actively traded contracts with scheduled expirations, it can be calculated only by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as contract expirations. The contract expirations included in the Metals Index for each commodity during a given year are designated by SummerHaven Indexing, provided that each contract must be an active contract. An active contract for this purpose is a liquid, actively-traded contract expiration, as defined or identified by the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry.

If a Futures Exchange[11] ceases trading in all contract expirations relating to a particular Benchmark Component Metals Futures Contract, SummerHaven Indexing may designate a replacement contract on the particular metal. The replacement contract must satisfy the eligibility criteria for inclusion in the Metals Index. To the extent practicable, the replacement will be effected during the next monthly review of the composition of the Metals Index. If that timing is not practicable, SummerHaven Indexing will determine the date of the replacement based on a number of factors, including the differences between the existing Benchmark Component Metals Futures Contract and the replacement contract with respect to contractual specifications and contract expirations.

If a Benchmark Component Metals Futures Contract is eliminated and there is no replacement contract, the underlying metal will necessarily drop out of the Metals Index.

USMI will seek to achieve its investment objective by investing to the fullest extent possible in Benchmark Component Metals Futures Contracts. Then, if constrained by regulatory requirements (as described below) or in view of market conditions (as described below), USMI will invest next in other Eligible Metals Futures Contracts based on the same metal as the futures contracts subject to such regulatory constraints or market conditions, and finally, to a lesser extent, in other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Metals Futures Contracts if one or more other Eligible Metals Futures Contracts is not available. When USMI has invested to the fullest extent possible in exchange-traded futures contracts, USMI may then invest in other contracts and instruments based on the Benchmark Component Metals Futures Contracts or the metals included in the Metals Index, such as cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts. Other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Metals Futures Contracts and other contracts and instruments based on the Benchmark Component Metals Futures Contracts, as

Statement''). The discussion herein relating to the Trust and the Units is based, in part, on the Registration Statement.

[10] *See* ''The Fundamentals of Commodity Futures Returns,'' Gorton, Rouwenhorst and Hayashi (September 2008), Yale International Center for Finance Working Paper No. 07–08.

[11] COMEX, NYMEX, LME, Kansas City Board of Trade (''KCBT''), ICE Futures (''ICE Futures''), Chicago Board of Trade (''CBOT'') and Chicago Mercantile Exchange (''CME'') are referred to, collectively, as the ''Futures Exchanges.''

well as metals included in the Metals Index, are collectively referred to as ''Other Metals-Related Investments,'' and together with Benchmark Component Metals Futures Contracts and other Eligible Metals Futures Contracts, ''Metals Interests.''

Regulatory Requirements. As noted above, USMI may at times invest in other Eligible Metal Futures Contracts based on the same metal as the futures contracts subject to regulatory constraints (as described below), and then, to a lesser extent, in Other Metals-Related Investments in order to comply with regulatory requirements. An example of such regulatory requirements would be if USMI is required by law or regulation, or by one of its regulators, including a Futures Exchange, to reduce its position in one or more Benchmark Component Metals Futures Contracts to the applicable position limit or to a specified accountability level for such contracts, USMI's assets could be invested in one or more other Eligible Metal Futures Contracts. If one or more such Eligible Metal Futures Contracts were unavailable or economically impracticable, USMI could invest in Other Metals-Related Investments that are intended to replicate the return on the Metals Index or particular Benchmark Component Metals Futures Contracts. Another example would be if, because USMI's assets were reaching higher levels, it exceeded position limits, accountability levels or other regulatory limits and, to avoid triggering such limits or levels, it invested in one or more other Eligible Metal Futures Contracts to the extent practicable and then in Other Metals-Related Investments.[12]

When investing in Other Metals-Related Investments, USMI will first invest in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Metals Futures Contracts and then in cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts.

Market Conditions. As also noted above, there may be market conditions that could cause USMI to invest in other Eligible Metal Futures Contracts that are based on the same metal as the futures contracts subject to such market conditions (as described below). One such type of market condition would be where demand for Benchmark Component Metals Futures Contracts exceeded supply and as a result USMI was able to obtain more favorable terms under other Eligible Metal Futures Contracts. An example of more favorable terms would be where the aggregate costs to USMI from investing in other Eligible Metal Futures Contracts (including actual or expected direct costs such as the costs to buy, hold, or sell such investments, as well as indirect costs such as opportunity costs) were less than the costs of investing in Benchmark Component Metal Futures Contracts. Only after USMI becomes subject to position limits in any Eligible Metal Futures Contracts will USMI invest in Other Metals-Related Investments to replicate exposure to the Eligible Metal Futures Contract that is position-limited. Generally, USMI will only invest in this manner in other Eligible Metal Futures Contracts or Other Metals-Related Investments if it results in materially more favorable terms, and if such investments result in a specific benefit for USMI or its shareholders, such as being able to more closely track its benchmark.

USMI's trading advisor is SummerHaven Investment Management, LLC (''SummerHaven''). The Sponsor expects to manage USMI's investments directly, using the trading advisory services of SummerHaven for guidance with respect to the Metals Index and the Sponsor's selection of investments on behalf of USMI. The Sponsor is also authorized to select futures commission merchants to execute USMI's transactions in Benchmark Component Metals Futures Contracts, other Eligible Metal Futures Contracts and Other Metals-Related Investments. The Sponsor, SummerHaven Indexing and SummerHaven are not affiliated with a broker-dealer and are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Metals Index or USMI's portfolio.[13]

According to the Registration Statement, it is anticipated that USMI will invest such that daily changes in USMI's NAV will closely track the daily changes in the Metals Index.[14] USMI's positions in Metals Interests will be rebalanced on a monthly basis in order to track the changing nature of the Metals Index. In order that USMI's trading does not unduly cause extraordinary market movements, and to make it more difficult for third parties to profit by trading based on market movements that could be expected from changes in the Benchmark Component Metals Futures Contracts, USMI's investments typically will not be rebalanced entirely on a single day, but rather will typically be rebalanced over a period of four days. After fulfilling the margin and collateral requirements with respect to USMI's Metals Interests, the Sponsor will invest the remainder of USMI's proceeds from the sale of baskets in short-term obligations of the United States government (''Treasury Securities'' or ''Treasuries'') or cash equivalents, and/or hold such assets in cash (generally in interest-bearing accounts).

According to the Registration Statement, the Sponsor endeavors to place USMI's trades in Metals Interests and otherwise manage USMI's investments so that A will be within plus/minus 10 percent of B, where:

- A is the average daily percentage change in USMI's NAV for any period of 30 successive NYSE Arca trading days as of which USMI calculates its NAV, and
- B is the average daily percentage change in the Metals Index over the same period.

The table immediately below lists the eligible metals, the relevant Futures Exchange on which each Eligible Metals Futures Contract is listed and quotation details including imposed price and position limits:

[12] Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFTC has been tasked with implementing rules and regulations that are expected to impact position limits and visibility levels and other regulatory requirements that will be applicable to the Funds and their respective holdings.

[13] The Sponsor represents that, in the event the Sponsor, SummerHaven Indexing, or SummerHaven becomes affiliated with a broker-dealer, it will implement a fire wall with respect to such broker-dealer regarding access to information concerning the composition and/or changes to a portfolio.

[14] As of January 31, 2011, the Metals Index reflects commodities in two commodity sectors: precious metals (representing approximately 38% of the Metals Index) and industrial metals (representing approximately 62% of the Metals Index).

Commodity	Designated contract	Exchange	Units	Accountability levels—single month	Accountability levels—all months	Position limits—spot month	Position limits—single month and all months	Trading hours (E.T.)
Aluminum	High Grade Primary Aluminum.	LME	25 metric tons.	None	None	None	None	06:55 AM: 12:00 PM
Copper	Copper	COMEX	25,000 lbs	5000	5000	1200	None	08:10 AM–1:00 PM
Lead	Lead	LME	25 metric tons.	None	None	None	None	07:15 AM: 11:45 AM
Nickel	Primary Nickel.	LME	6 metric tons.	None	None	None	None	07:10 AM: 11:50 AM
Tin	Tin	LME	5 metric tons.	None	None	None	None	07:05 AM: 11:40 AM
Zinc	Special High Grade Zinc.	LME	25 metric tons.	None	None	None	None	06:50 AM: 11:35 AM
Gold	Gold	COMEX	100 troy oz.	6000	6000	3000	None	08:20 AM–1:05 PM
Silver	Silver	COMEX	5,000 troy oz.	6000	6000	1500	None	08:25 AM–1:25 PM
Platinum	Platinum	NYMEX	50 troy oz.	1500	1500	None	None	08:30 AM–1:00 PM
Palladium	Palladium	NYMEX	100 troy oz.	1000	1000	650	None	08:20 AM–1:30 PM

The Sponsor believes that market arbitrage opportunities will cause USMI's Unit price on NYSE Arca to closely track USMI's NAV per Unit. The Sponsor believes that the net effect of this expected relationship and the expected relationship described above between USMI's NAV and the Metals Index will be that the changes in the price of USMI's Units on NYSE Arca will closely track, in percentage terms, changes in the Metals Index, less USMI's expenses.

According to the Registration Statement, the Benchmark Component Metals Futures Contracts for each metal will remain in the Metals Index from month to month. Weights for each of the Benchmark Component Metals Futures Contracts are determined for the next month. The methodology used to calculate the Metals Index weighting is based solely on quantitative data using observable futures prices and is not subject to human bias. The monthly weighting selection is a three-step process based upon examination of the relevant futures prices for each metal. For each metal in the Metals Index, the index selects a specific Benchmark Component Metals Futures Contract with a tenor (*i.e.,* contract month) among the Eligible Metals Futures Contracts based upon the relative prices of the Benchmark Component Metals Futures Contract within the eligible range of contract months. The previous notwithstanding, the contract expiration is not changed for that month if a Benchmark Component Metals Futures Contract remains in the Metals Index, as long as the contract does not expire or enter its notice period in the subsequent month.

In the event of a commodity futures market where near month contracts to expire trade at a higher price than next month contracts to expire, a situation referred to as ''backwardation,'' then absent the impact of the overall movement in commodity prices, the value of the Metals Index would tend to rise as it approaches expiration. As a result USMI may benefit because it would be selling more expensive contracts and buying less expensive ones on an ongoing basis. Conversely, in the event of a commodity futures market where near month contracts trade at a lower price than next month contracts, a situation referred to as ''contango,'' then absent the impact of the overall movement in commodity prices, the value of the Metals Index would tend to decline as it approaches expiration. As a result USMI's total return may be lower than might otherwise be the case because it would be selling less expensive contracts and buying more expensive ones. The impact of backwardation and contango may cause the total return of USMI to vary significantly from the total return of other price references, such as the spot price of the commodities comprising the Metals Index. In the event of a prolonged period of contango, and absent the impact of rising or falling commodity prices, this could have a significant negative impact on USMI's NAV and total return.

USMI will invest in Metals Interests to the fullest extent possible without being leveraged or unable to satisfy its expected current or potential margin or collateral obligations with respect to its investments in Metals Interests. The primary focus of the Sponsor is the investment in Metals Interests and the management of USMI's investments in Treasury Securities, cash and/or cash equivalents.

The Sponsor will employ a ''neutral'' investment strategy for USMI intended to track the changes in the Metals Index regardless of whether the Metals Index goes up or goes down. USMI's ''neutral'' investment strategy is designed to permit investors generally to purchase and sell USMI's Units for the purpose of investing indirectly in the commodities market in a cost-effective manner, and/or to permit participants in the commodities or other industries to hedge the risk of losses in their commodity-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in the commodities market and/or the risks involved in hedging may exist. In addition, an investment in USMI involves the risks that the changes in the price of the USMI's Units will not accurately track the changes in the Metals Index, and that changes in the Metals Index will not closely correlate with changes in the spot prices of the commodities underlying the Benchmark Component Metals Futures Contracts. Furthermore, USMI also invests in short-term Treasury Securities or holds cash to meet its current or potential margin or collateral requirements with respect to its investments in Metals Interests and invests cash not required to be used as margin or collateral. There is not expected to be any meaningful correlation between the performance of USMI's investments in Treasury Securities, cash or cash equivalents and the changes in the price of the Metals Index. While the level of interest earned on or the market price of these investments may in some respect correlate to changes in the price of the Metals Index, this correlation is not anticipated as part of the USMI's efforts to meet its objectives. This and certain risk factors discussed in the Registration Statement may cause a lack of correlation between changes in USMI's NAV and changes in the price of the Metals Index. The Sponsor does not intend to operate USMI in a fashion such that its per Unit NAV will equal, in dollar terms, the spot prices of the commodities underlying the Benchmark Component Metals Futures Contracts that comprise the Metals Index or the prices of any particular group of Benchmark Component Metals Futures Contracts.

United States Agriculture Index Fund (''USAI'')

According to the Registration Statement, the investment objective of USAI is for the daily changes in percentage terms of its Units' NAV to reflect the daily changes in percentage terms of the SummerHaven Dynamic Agriculture Index Total Return (the ''Agriculture Index''), less USAI's expenses. The Agriculture Index is designed to reflect the performance of a diversified group of agricultural commodities. The Agriculture Index is owned and maintained by SummerHaven Indexing and calculated and published by the Exchange.

The Agriculture Index is an agricultural sector index designed to broadly represent major agricultural commodities while overweighting the components that are assessed to be in a low inventory state and underweighting the components assessed to be in a high inventory state.

The Agriculture Index consists of fourteen agricultural markets: soybeans, corn, soft red winter wheat, hard red winter wheat, soybean oil, soybean meal, canola, sugar, cocoa, coffee, cotton, live cattle, feeder cattle and lean hogs. Each agricultural commodity is assigned a base weight based on an assessment of market liquidity and the commodity's overall economic importance. Each commodity is U.S. Dollar based, with the exception of canola, which is quoted in Canadian Dollars and converted to U.S. Dollars for the purpose of the Agriculture Index calculation.

Academic research by Professors Gorton, Rouwenhorst and Hayashi has shown that commodities in relatively low inventory states tend to have higher returns that [sic] commodities in relatively high inventory states.[15] Furthermore, relative inventory comparisons can be estimated by the price-based signals of momentum and basis. Momentum is the percentage price change in a commodity over the previous year. Basis is the annualized percentage difference between the nearest-to-maturity contract and the second nearest-to-maturity contract. Using these price-based signals, agricultural commodities determined to be in low inventory state will be weighted more heavily, and agricultural commodities in high inventory state will be weighted less heavily during any given month.

The Agriculture Index is rules-based and rebalanced monthly based on observable price signals described above. In this context, the term ''rules-based'' is meant to indicate that the composition of the Agriculture Index in any given month will be determined by quantitative formulas relating to the prices of the futures contracts that relate to the commodities that are included in the Agriculture Index. Such formulas are not subject to adjustment based on other factors.

Futures contracts for agricultural commodities in the Agriculture Index that are currently traded on the ICE Futures, CBOT, CME, KCBT and ICE Canada are collectively referred to herein as ''Eligible Agriculture Futures Contracts.'' The 14 Eligible Agriculture Futures Contracts that at any given time have been designated as a component of the Agriculture Index are referred to as the ''Benchmark Component Agriculture Futures Contracts.'' The relative weighting of the Benchmark Component Agriculture Futures Contracts will change on a monthly basis, based on quantitative formulas developed by SummerHaven Indexing relating to the prices of the Benchmark Component Agriculture Futures Contracts.

The overall return on the Agriculture Index is generated by two components: (i) uncollateralized returns from the Benchmark Component Agriculture Futures Contracts comprising the Agriculture Index, and (ii) a daily fixed income return reflecting the interest earned on a hypothetical 3-month U.S. Treasury Bill collateral portfolio, calculated using the weekly auction rate for the 3-Month U.S. Treasury Bill published by the U.S. Department of the Treasury. Because the Agriculture Index is comprised of actively traded contracts with scheduled expirations, it can be calculated only by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as contract expirations. The contract expirations included in the Agriculture Index for each commodity during a given year are designated by SummerHaven Indexing, provided that each contract must be an active contract. An active contract for this purpose is a liquid, actively-traded contract expiration, as defined or identified by the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry. Information regarding the Agriculture Index methodology may also be accessed by the public from SummerHaven Indexing's Web site at *http://www.summerhavenindex.com.*

If a Futures Exchange ceases trading in all contract expirations relating to a particular Benchmark Component Agriculture Futures Contract, SummerHaven Indexing may designate a replacement contract on the particular agricultural commodity. The replacement contract must satisfy the eligibility criteria for inclusion in the Agriculture Index. To the extent practicable, the replacement will be effected during the next monthly review of the composition of the Agriculture Index. If that timing is not practicable, SummerHaven Indexing will determine the date of the replacement based on a number of factors, including the differences between the existing Benchmark Component Agriculture Futures Contract and the replacement contract with respect to contractual specifications and contract expirations.

If a Benchmark Component Agriculture Futures Contract is eliminated and there is no replacement contract, the underlying agricultural commodity will necessarily drop out of the Agriculture Index.

USAI will seek to achieve its investment objective by investing to the fullest extent possible in Benchmark Component Agriculture Futures Contracts. Then, if constrained by regulatory requirements (described below) or in view of market conditions (described below), USAI will invest next in other Eligible Agriculture Futures Contracts based on the same agricultural commodity as the futures contracts subject to such regulatory constraints or market conditions, and finally, to a lesser extent, in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Agriculture Futures Contracts, if one or more Eligible Agriculture Futures Contracts is

[15] *See* note 10, *supra.*

not available. When USAI has invested to the fullest extent possible in exchange-traded futures contracts, USAI may then invest in other contracts and instruments based on the Benchmark Component Agriculture Futures Contracts or the agricultural commodities included in the Agriculture Index, such as cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts. Other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Agriculture Futures Contracts and other contracts and instruments based on the Benchmark Component Agriculture Futures Contracts, as well as metals included in the Agriculture Index, are collectively referred to as ''Other Agriculture-Related Interests,'' and together with Benchmark Component Agriculture Futures Contracts and other Eligible Agriculture Futures Contracts, ''Agriculture Interests.''

Regulatory Requirements. As noted above, USAI may at times invest in Eligible Agriculture Futures Contracts based on the same agricultural commodity as the futures contracts subject to regulatory constraints (as described below), and then to a lesser extent in Other Agriculture-Related Investments in order to comply with regulatory requirements. An example of such regulatory requirements would be if USAI is required by law or regulation, or by one of its regulators, including a Futures Exchange, to reduce its position in one or more Benchmark Component Agriculture Futures Contracts to the applicable position limit or to a specified accountability level for such contracts, USAI's assets could be invested in one or more other Eligible Agriculture Futures Contracts. If one or more such Eligible Agriculture Futures Contracts was unavailable or economically impracticable, USAI could invest in Other Agriculture-Related Investments that are intended to replicate the return on the Agriculture Index or particular Benchmark Component Agriculture Futures Contracts. Another example would be if because USAI's assets were reaching higher levels, it exceeded position limits, accountability levels or other regulatory limits and, to avoid triggering such limits or levels, it invested in one or more other Eligible Agriculture Futures Contracts to the extent practicable and then in Other Agriculture-Related Investments.

When investing in Other Agriculture-Related Investments, USAI will first invest in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Agriculture Futures Contracts and then in cash settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts.

Market Conditions. As also noted above, there may be market conditions that could cause USAI to invest in other Eligible Agriculture Futures Contracts that are based on the same agricultural commodity as the futures contracts subject to such market conditions (as described below). One such type of market condition would be where demand for Benchmark Component Agriculture Futures Contracts exceeded supply and as a result USAI was able to obtain more favorable terms under other Eligible Agriculture Futures Contracts. An example of more favorable terms would be where the aggregate costs to USAI from investing in other Eligible Agriculture Futures Contracts or Other Agriculture-Related Investments (including actual or expected direct costs such as the costs to buy, hold, or sell such investments, as well as indirect costs such as opportunity costs) were less than the costs of investing in Benchmark Component Agriculture Futures Contracts. Only after USAI becomes subject to position limits in any Eligible Agriculture Futures Contract will USAI invest in Other Agriculture-Related Investments to replicate exposure to the Eligible Agriculture Futures Contract that is position-limited. Generally, USAI will only invest in this manner in other Eligible Agriculture Futures Contracts or Other Agriculture-Related Investments if it results in materially more favorable terms, and if such investments result in a specific benefit for USAI or its shareholders, such as being able to more closely track its benchmark.

USAI's trading advisor is SummerHaven. The Sponsor expects to manage USAI's investments directly, using the trading advisory services of SummerHaven for guidance with respect to the Agriculture Index and the Sponsor's selection of investments on behalf of USAI. The Sponsor is also authorized to select futures commission merchants to execute USAI's transactions in Benchmark Component Agriculture Futures Contracts, other Eligible Agriculture Futures Contracts and Other Agriculture-Related Investments. The Sponsor, SummerHaven Indexing and SummerHaven are not affiliated with a broker-dealer and are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Agriculture Index or USAI's portfolio.[16]

According to the Registration Statement, it is anticipated that USAI will invest such that daily changes in USAI's NAV will closely track the daily changes in the Agriculture Index.[17] USAI's positions in Agriculture Interests will be rebalanced on a monthly basis in order to track the changing nature of the Agriculture Index. In order that USAI's trading does not unduly cause extraordinary market movements, and to make it more difficult for third parties to profit by trading based on market movements that could be expected from changes in the Benchmark Component Agriculture Futures Contracts, USAI's investments typically will not be rebalanced entirely on a single day, but rather will typically be rebalanced over a period of four days. After fulfilling the margin and collateral requirements with respect to USAI's Agriculture Interests, the Sponsor will invest the remainder of USAI's proceeds from the sale of baskets in Treasury Securities or cash equivalents, and/or hold such assets in cash (generally in interest-bearing accounts).

According to the Registration Statement, the Sponsor endeavors to place USAI's trades in Agriculture Interests and otherwise manage USAI's investments so that A will be within plus/minus 10 percent of B, where:

- A is the average daily percentage change in USAI's NAV for any period of 30 successive NYSE Arca trading days as of which USAI calculates its NAV, and
- B is the average daily percentage change in the Agriculture Index over the same period.

The table immediately below lists the eligible agricultural commodities, the relevant Futures Exchange on which each Eligible Agriculture Futures Contract is listed and quotation details.

[16] *See* note 13, *supra.*

[17] As of January 31, 2011, the Agriculture Index reflects commodities in three commodity sectors: grains (representing approximately 47% of the Agriculture Index), soft commodities (*e.g.,* sugar, cotton, coffee, cocoa) (representing approximately 36% of the Agriculture Index), and livestock (representing approximately 17% of the Agriculture Index).

Commodity	Designated contract	Exchange	Units	Accountability levels—single month	Accountability levels all months	Position limits—spot month	Position limits—single month	Position limits—all months	Trading hours (E.T.)
Soybeans.	Soybeans.	CBOT	5,000 bushels.	None	None	600	6500	10000	10:30 AM–2:15 PM
Corn	Corn	CBOT	5,000 bushels.	None	None	600	13500	22000	10:30 AM–2:15 PM
Soft Red Winter Wheat.	Soft Red Winter Wheat.	CBOT	5,000 bushels.	None	None	600	5000	6500	10:30 AM–2:15 PM
Hard Red Winter Wheat.	Hard Red Winter Wheat.	KCBT	5,000 bushels.	None	None	600	5000	6500	09:30 AM–1:15PM
Soybean Oil.	Soybean Oil.	CBOT	60,000 lbs.	None	None	540	5000	6500	10:30 AM–2:15 PM
Soybean Meal.	Soybean Meal.	CBOT	100 tons	None	None	720	5000	6500	09:30 AM–1:15 PM
Coffee	Coffee "C".	ICE–US	37,500 lbs.	5000	5000	500	5000	5000	03:30 AM–2:00 PM
Cocoa	Cocoa	ICE–US	10 metric tons.	6000	6000	1000	None	None	04:00 AM–2:00 PM
Sugar	World Sugar No. 11.	ICE–US	112,000 lbs.	10000	15000	5000	None	None	03:30 AM–2:00 PM
Canola	Canola	ICE–CANADA.	20 tonnes.	None	None	1000	None	None	08:00 PM–2:15 PM
Cotton	Cotton	ICE–US	50,000 lbs.	None	None	300	3500	5000	9:00 PM–2:30 PM
Feeder Cattle.	Feeder Cattle.	CME	50,000 lbs.	None	None	300	1950	None	09:05 AM–1:00 PM
Live Cattle.	Live Cattle.	CME	40,000 lbs.	None	None	450	6300	None	10:05 AM–2:00 PM
Lean Hogs.	Lean Hogs.	CME	40,000 lbs.	None	None	950	4150	None	09:05 AM–1:00 PM

The Sponsor believes that market arbitrage opportunities will cause USAI's Unit price on NYSE Arca to closely track USAI's NAV per Unit. The Sponsor believes that the net effect of this expected relationship and the expected relationship described above between USAI's NAV and the Agriculture Index will be that the changes in the price of USAI's Units on NYSE Arca will closely track, in percentage terms, changes in the Agriculture Index, less USAI's expenses.

According to the Registration Statement, the Benchmark Component Agriculture Futures Contracts for each agricultural commodity will remain in the Agriculture Index from month to month. Weights for each of the Benchmark Component Agriculture Futures Contracts in the Agriculture Index are determined for the next month. The methodology used to calculate the Agriculture Index weighting is based solely on quantitative data using observable futures prices and is not subject to human bias. The monthly weighting selection is a three-step process based upon examination of the relevant futures prices for each agricultural commodity. For each agricultural commodity in the Agriculture Index, the index selects a specific Benchmark Component Agriculture Futures Contract with a tenor (*i.e.,* contract month) among the Eligible Agriculture Futures Contracts based upon the relative prices of the Benchmark Component Agriculture Futures Contracts within the eligible range of contract months. The previous notwithstanding, the contract expiration is not changed for that month if a Benchmark Component Agriculture Futures Contract remains in the Agriculture Index, as long as the contract does not enter expire or enter its notice period in the subsequent month.

In the event of a commodity futures market where near month contracts to expire trade at a higher price than next month contracts to expire, a situation referred to as ''backwardation,'' then absent the impact of the overall movement in commodity prices, the value of the Agriculture Index would tend to rise as it approaches expiration. As a result USAI may benefit because it would be selling more expensive contracts and buying less expensive ones on an ongoing basis. Conversely, in the event of a commodity futures market where near month contracts trade at a lower price than next month contracts, a situation referred to as ''contango,'' then absent the impact of the overall movement in commodity prices, the value of the Agriculture Index would tend to decline as it approaches expiration. As a result USAI's total return may be lower than might otherwise be the case because it would be selling less expensive contracts and buying more expensive ones. The impact of backwardation and contango may cause the total return of USAI to vary significantly from the total return of other price references, such as the spot price of the commodities comprising the Agriculture Index. In the event of a prolonged period of contango, and absent the impact of rising or falling commodity prices, this could have a significant negative impact on USAI's NAV and total return.

USAI will invest in Agriculture Interests to the fullest extent possible without being leveraged or unable to satisfy its expected current or potential margin or collateral obligations with respect to its investments in Agriculture

Interests. The primary focus of the Sponsor is the investment in Agriculture Interests and the management of USAI's investments in Treasury Securities, cash and/or cash equivalents.

The Sponsor will employ a ''neutral'' investment strategy for USAI intended to track the changes in the Agriculture Index regardless of whether the Agriculture Index goes up or goes down. USAI's ''neutral'' investment strategy is designed to permit investors generally to purchase and sell USAI's Units for the purpose of investing indirectly in the commodities market in a cost-effective manner, and/or to permit participants in the commodities or other industries to hedge the risk of losses in their commodity-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in the commodities market and/or the risks involved in hedging may exist. In addition, an investment in USAI involves the risks that the changes in the price of the USAI's Units will not accurately track the changes in the Agriculture Index, and that changes in the Agriculture Index will not closely correlate with changes in the spot prices of the commodities underlying the Benchmark Component Agriculture Futures Contracts. Furthermore, USAI also invests in short-term Treasury Securities or holds cash to meet its current or potential margin or collateral requirements with respect to its investments in Agriculture Interests and invests cash not required to be used as margin or collateral. There is not expected to be any meaningful correlation between the performance of USAI's investments in Treasury Securities, cash or cash equivalents and the changes in the price of the Agriculture Index. While the level of interest earned on or the market price of these investments may in some respect correlate to changes in the price of the Agriculture Index, this correlation is not anticipated as part of USAI's efforts to meet its objectives. This and certain risk factors discussed in the Registration Statement may cause a lack of correlation between changes in USAI's NAV and changes in the price of the Agriculture Index. The Sponsor does not intend to operate USAI in a fashion such that its per Unit NAV will equal, in dollar terms, the spot prices of the commodities underlying the Benchmark Component Agriculture Futures Contracts that comprise the Agriculture Index or the prices of any particular group of Benchmark Component Agriculture Futures Contracts.

United States Copper Index Fund (''USCUI'')

According to the Registration Statement, the investment objective of USCUI is for the daily changes in percentage terms of its Units' NAV to reflect the daily changes in percentage terms of the SummerHaven Copper Index Total Return (the ''Copper Index''), less USCUI's expenses. The Copper Index is designed to reflect the performance of the investment returns from a portfolio of futures contracts for copper that are traded on the COMEX (such futures contracts, collectively, ''Eligible Copper Futures Contracts''). The Copper Index is owned and maintained by SummerHaven Indexing and calculated and published by the Exchange.

For reasons discussed below, the Copper Index is comprised of either two or three Eligible Copper Futures Contracts that are selected on a monthly basis based on quantitative formulas relating to the prices of the Eligible Copper Futures Contracts developed by SummerHaven Indexing. The Eligible Copper Futures Contracts that at any given time make up the Copper Index are referred to herein as ''Benchmark Component Copper Futures Contracts.''

The Copper Index is a single-commodity index designed to be an investment benchmark for copper as an asset class. The Copper Index is composed of copper futures contracts on the COMEX exchange. The Copper Index attempts to maximize backwardation and minimize contango while utilizing contracts in liquid portions of the futures curve.

The Copper Index is rules-based and is rebalanced monthly based on observable price signals. In the case of the Copper Index, the price signal is based on ''basis.'' Basis is the annualized percentage difference between the nearest-to-maturity contract's price and the second nearest-to-maturity contract's price. The basis calculation can produce a positive number, such that the nearest-to-maturity contract is higher than the second nearest-to-maturity contract's price (a condition also referred to as ''backwardation''), or it can produce a negative number, such that the nearest-to-maturity contract's price is lower than the second nearest-to-maturity contract's price (a condition also referred to as ''contango'').

At the end of each month, (1) the copper futures curve is assessed to be in either backwardation or contango as discussed above, and (2) the annualized percentage price difference between the closest-to-expiration Eligible Copper Futures Contract and each of the next four Eligible Copper Futures Contracts is calculated. If the copper futures curve is in backwardation at the end of a month, the Copper Index takes positions in the two Eligible Copper Futures Contracts with the highest annualized percentage price difference, each weighted at 50%. If the copper futures curve is in contango, then the Copper Index takes positions in three Eligible Copper Futures Contracts, as follows: first, the Copper Index takes positions in the two Eligible Copper Futures Contracts with the highest annualized percentage price difference, each weighted at 25%; then the Copper Index also takes a position in the nearest-to-maturity December Eligible Copper Futures Contract that has expiration more distant than the fourth nearest Eligible Copper Futures Contract, which position is weighted at 50%.

In this context, the term ''rules-based'' is meant to indicate that the composition of the Copper Index in any given month will be determined by quantitative formulas relating to the prices of the futures contracts that are included in the Copper Index. Such formulas are not subject to adjustment based on other factors.

The overall return on the Copper Index is generated by two components: (i) Uncollateralized returns from the Benchmark Component Copper Futures Contracts comprising the Copper Index, and (ii) a daily fixed income return reflecting the interest earned on a hypothetical 3-month U.S. Treasury Bill collateral portfolio, calculated using the weekly auction rate for the 3-Month U.S. Treasury Bills published by the U.S. Department of the Treasury. Because the Copper Index is comprised of actively traded contracts with scheduled expirations, it can be calculated only by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as contract expirations. The contract expirations included in the Copper Index for each commodity during a given year are designated by SummerHaven Indexing, provided that each contract must be an active contract. An active contract for this purpose is a liquid, actively-traded contract expiration, as defined or identified by the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry. Information regarding the Copper Index methodology may also be accessed by the public from SummerHaven

Indexing's Web site at *http://www.summerhavenindex.com.*

If a Futures Exchange ceases trading in all contract expirations relating to a Benchmark Component Copper Futures Contract, SummerHaven Indexing may designate a replacement contract. The replacement contract must satisfy the eligibility criteria for inclusion in the Copper Index. To the extent practicable, the replacement will be effected during the next monthly review of the composition of the Copper Index. If that timing is not practicable, SummerHaven Indexing will determine the date of the replacement based on a number of factors, including the differences between the existing Benchmark Component Copper Futures Contract and the replacement contract with respect to contractual specifications and contract expirations.

USCUI will seek to achieve its investment objective by investing to the fullest extent possible in the Benchmark Component Copper Futures Contracts. Then if constrained by regulatory requirements (described below) or in view of market conditions (described below), USCUI will invest next in other Eligible Copper Futures Contracts, and finally to a lesser extent, in other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts if one or more other Eligible Copper Futures Contracts is not available. When USCUI has invested to the fullest extent possible in exchange-traded futures contracts, USCUI may then invest in other contracts and instruments based on the Benchmark Component Copper Futures Contracts, other Eligible Copper Futures Contracts or copper, such as cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts. Other exchange-traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts and other contracts and instruments based on the Benchmark Component Copper Futures Contracts, are collectively referred to as ''Other Copper-Related Investments,'' and together with Benchmark Component Copper Futures Contracts and other Eligible Copper Futures Contracts, ''Copper Interests.''

Regulatory Requirements. As noted above, USCUI may at times invest in other Eligible Copper Futures Contracts based on the same metal as the futures contracts subject to regulatory constraints (as described below), and finally to a lesser extent, in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts if one or more other Eligible Copper Futures Contracts is not available in order to comply with regulatory requirements. An example of such regulatory requirements would be if USCUI is required by law or regulation, or by one of its regulators, including a Futures Exchange, to reduce its position in one or more Benchmark Component Copper Futures Contracts to the applicable position limit or to a specified accountability level for such contracts, USCUI's assets could be invested in one or more other Eligible Copper Futures Contracts. If one or more such Eligible Copper Futures Contracts were unavailable or economically impracticable, USCUI could invest in Other Copper-Related Investments that are intended to replicate the return on the Copper Index or particular Benchmark Component Copper Futures Contracts. Another example would be if, because USCUI's assets were reaching higher levels, it exceeded position limits, accountability levels or other regulatory limits and, to avoid triggering such limits or levels, it invested in one or more other Eligible Copper Futures Contracts to the extent practicable and then in Other Copper-Related Investments.

When investing in Other Copper-Related Investments, USCUI will first invest in other exchange traded futures contracts that are economically identical or substantially similar to the Benchmark Component Copper Futures Contracts, other Eligible Copper Futures Contracts, and then in cash-settled options, forward contracts, cleared swap contracts and swap contracts other than cleared swap contracts.

Market Conditions. As also noted above, there may be market conditions that could cause USCUI to invest in other Eligible Copper Futures Contracts that are based on the same metal as the futures contracts subject to such market conditions (as described below). One such type of market condition would be where demand for Benchmark Component Copper Futures Contracts exceeded supply and as a result USCUI was able to obtain more favorable terms under other Eligible Copper Futures Contracts. An example of more favorable terms would be where the aggregate costs to USCUI from investing in other Eligible Copper Futures Contracts (including actual or expected direct costs such as the costs to buy, hold, or sell such investments, as well as indirect costs such as opportunity costs) were less than the costs of investing in Benchmark Component Copper Futures Contracts. Only after USCUI becomes subject to position limits in any Eligible Copper Futures Contract will USCUI invest in Other Copper-Related Investments to replicate exposure to the Eligible Copper Futures Contract that is position-limited. Generally, USCUI will only invest in this manner in other Eligible Copper Futures Contracts or Other Copper-Related Investments if it results in materially more favorable terms, and if such investments result in a specific benefit for USCUI or its shareholders, such as being able to more closely track its benchmark.

USCUI's trading advisor is SummerHaven. The Sponsor expects to manage USCUI's investments directly, using the trading advisory services of SummerHaven for guidance with respect to the Copper Index and the Sponsor's selection of investments on behalf of USCUI. The Sponsor is also authorized to select futures commission merchants to execute USCUI's transactions in Benchmark Component Copper Futures Contracts and Other Copper-Related Investments. The Sponsor, SummerHaven Indexing and SummerHaven are not affiliated with a broker-dealer and are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Copper Index or USCUI's portfolio.[18]

According to the Registration Statement, it is anticipated that USCUI will invest in Benchmark Component Copper Futures Contracts, other Eligible Copper Futures Contracts and Other Copper-Related Investments such that daily changes in USCUI's NAV will closely track the daily changes in the Copper Index. USCUI's positions in Copper Interests will be rebalanced on a monthly basis in order to track the changing nature of the Copper Index. In order that USCUI's trading does not unduly cause extraordinary market movements, and to make it more difficult for third parties to profit by trading based on market movements that could be expected from changes in the Benchmark Component Copper Futures Contracts, USCUI's investments typically will not be rebalanced entirely on a single day, but rather will typically be rebalanced over a period of four days. After fulfilling the margin and collateral requirements with respect to USCUI's Copper Interests, the Sponsor will invest the remainder of USCUI's proceeds from the sale of baskets in Treasury Securities or cash equivalents, and/or hold such assets in cash (generally in interest-bearing accounts).

[18] *See* note 13, *supra.*

According to the Registration Statement, the Sponsor endeavors to place USCUI's trades in Copper Interests and otherwise manage USCUI's investments so that A will be within plus/minus 10 percent of B, where:

• A is the average daily percentage change in USCUI's NAV for any period of 30 successive NYSE Arca trading days as of which USCUI calculates its NAV, and

• B is the average daily percentage change in the Copper Index over the same period.

The table immediately below lists the Futures Exchange on which the Eligible Copper Futures Contracts are listed and quotation details.

Commodity	Designated contract	Exchange	Units	Accountability levels—single month	Accountability levels—all months	Position limits—spot month	Position limits—single month and all months	Trading hours (E.T.)
Copper ..	Copper	COMEX ..	25,000 lbs.	5000	5000	1200	None	08:10 AM–1:00 PM

The Sponsor believes that market arbitrage opportunities will cause USCUI's Unit price on NYSE Arca to closely track USCUI's NAV per Unit. The Sponsor believes that the net effect of this expected relationship and the expected relationship described above between USCUI's NAV and the Copper Index will be that the changes in the price of USCUI's Units on NYSE Arca will closely track, in percentage terms, changes in the Copper Index, less USCUI's expenses.

In the event of a commodity futures market where near month contracts to expire trade at a higher price than next month contracts to expire, a situation referred to as ''backwardation,'' then absent the impact of the overall movement in commodity prices, the value of the Copper Index would tend to rise as it approaches expiration. As a result USCUI may benefit because it would be selling more expensive contracts and buying less expensive ones on an ongoing basis. Conversely, in the event of a commodity futures market where near month contracts trade at a lower price than next month contracts, a situation referred to as ''contango,'' then absent the impact of the overall movement in commodity prices, the value of the Copper Index would tend to decline as it approaches expiration. As a result USCUI's total return may be lower than might otherwise be the case because it would be selling less expensive contracts and buying more expensive ones. The impact of backwardation and contango may cause the total return of USCUI to vary significantly from the total return of other price references, such as the spot price of the commodities comprising the Copper Index. In the event of a prolonged period of contango, and absent the impact of rising or falling commodity prices, this could have a significant negative impact on USCUI's NAV and total return.

USCUI will invest in Copper Interests to the fullest extent possible without being leveraged or unable to satisfy its expected current or potential margin or collateral obligations with respect to its investments in Copper Interests. The primary focus of the Sponsor is the investment in Copper Interests and the management of USCUI's investments in Treasury Securities, cash and/or cash equivalents.

The Sponsor will employ a ''neutral'' investment strategy for USCUI intended to track the changes in the Copper Index regardless of whether the Copper Index goes up or goes down. USCUI's ''neutral'' investment strategy is designed to permit investors generally to purchase and sell USCUI's Units for the purpose of investing indirectly in the commodities market in a cost-effective manner, and/or to permit participants in the commodities or other industries to hedge the risk of losses in their commodity-related transactions. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in the commodities market and/or the risks involved in hedging may exist. In addition, an investment in USCUI involves the risks that the changes in the price of the USCUI's Units will not accurately track the changes in the Copper Index, and that changes in the Copper Index will not closely correlate with changes in the spot prices of the commodities underlying the Benchmark Component Copper Futures Contracts. Furthermore, USCUI also invests in short-term Treasury Securities or holds cash to meet its current or potential margin or collateral requirements with respect to its investments in Copper Interests and invests cash not required to be used as margin or collateral. There is not expected to be any meaningful correlation between the performance of a USCUI's investments in Treasury Securities, cash or cash equivalents and the changes in the price of the Copper Index. While the level of interest earned on or the market price of these investments may in some respect correlate to changes in the price of the Copper Index, this correlation is not anticipated as part of the USCUI's efforts to meet its objectives. This and certain risk factors discussed in the Registration Statement may cause a lack of correlation between changes in USCUI's NAV and changes in the price of the Copper Index. The Sponsor does not intend to operate USCUI in a fashion such that its per Unit NAV will equal, in dollar terms, the spot prices of the commodities underlying the Benchmark Component Copper Futures Contracts that comprise the Copper Index or the prices of any particular group of Benchmark Component Copper Futures Contracts.

Creation and Redemption of Units

Each Fund will create Units only in blocks of 100,000 Units called Creation Baskets and redeem Units only in blocks of 100,000 Units called Redemption Baskets. Only authorized purchasers may purchase or redeem Creation Baskets or Redemption Baskets, respectively. An authorized purchaser is under no obligation to create or redeem baskets, and an authorized purchaser is under no obligation to offer to the public Units of any baskets it does create. Baskets are generally created when there is a demand for Units, including, but not limited to, when the market price per Unit is at a premium to the NAV per Unit. Authorized purchasers will then sell such Units, which will be listed on NYSE Arca, to the public at per Unit offering prices that are expected to reflect, among other factors, the trading price of the Units on NYSE Arca, the NAV of the applicable Fund at the time the authorized purchaser purchased the Creation Baskets and the NAV at the time of the offer of the Units to the public, the supply of and demand for Units at the time of sale, and the liquidity of the applicable Fund's Benchmark Component Futures Contracts and Other Related Investments.[19] Baskets are generally redeemed when the market price per Unit is at a discount to the NAV per Unit. Retail investors seeking to purchase or sell Units on any day will effect such transactions in the secondary market, on NYSE Arca, at the market price per Unit, rather than in connection with the creation or redemption of baskets.

Purchase and redemption orders must be placed by 10:30 a.m. Eastern Time (''E.T.'') or the close of regular trading on the NYSE Arca, whichever is earlier.

The creation and redemption of baskets are only made in exchange for delivery to the applicable Fund or the distribution by the applicable Fund of the amount of Treasury Securities and/or cash equal to the combined NAV of the number of Units included in the baskets being created or redeemed, determined as of 4 p.m. E.T. on the day the order to create or redeem baskets is properly received.

All proceeds from the sale of Creation Baskets will be invested as quickly as practicable in the investments described in the Registration Statement. Investments and related margin or collateral are held through the custodian for the Funds, Brown Brothers Harriman & Co., in accounts with the applicable Fund's commodity futures broker, Newedge USA, LLC, or, in some instances when agreed to by the applicable Fund, in collateral accounts held by third parties with respect to its non-exchange traded or cleared over-the-counter applicable interests.

The Funds will meet the initial and continued listing requirements applicable to Trust Issued Receipts in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. With respect to application of Rule 10A–3 [20] under the Act, the Trust relies on the exception contained in Rule 10A–3(c)(7).[21] A minimum of 100,000 Units for each Fund will be outstanding as of the start of trading on the Exchange.

A more detailed description of the Funds' investments as well as investment risks, are set forth in the Registration Statement. All terms relating to the Funds that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

[19] Other Related Metal Investments, Other Related Agriculture Investments and Other Related Copper Investments are collectively referred to as ''Other Related Investments.''

[20] 17 CFR 240.10A–3.

[21] 17 CFR 240.10A–3(c)(7).

Net Asset Value

A Fund's NAV is calculated by:

- Taking the current market value of its total assets, and
- Subtracting any liabilities.

Brown Brothers Harriman & Co., Inc, (the ''Administrator''), will calculate the NAV of each Fund once each NYSE Arca trading day. The NAV for a particular trading day will be released after 4 p.m. E.T. Trading during the Core Trading Session on NYSE Arca typically closes at 4 p.m. E.T. The Administrator will use the closing prices on the relevant Futures Exchanges of the Applicable Benchmark Component Futures Contracts (determined at the earlier of the close of such exchange or 2:30 p.m. E.T.) for the contracts traded on the Futures Exchanges, but will calculate or determine the value of all other investments of a Fund using market quotations, if available, or other information customarily used to determine the fair value of such investments as of the earlier of the close of NYSE Arca or 4 p.m. E.T. in accordance with the current Administrative Agency Agreement among Brown Brothers Harriman & Co., Inc., each Fund and the Sponsor.

''Other information'' customarily used in determining fair value includes information consisting of market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other market data in the relevant market; or information of the types described above from internal sources if that information is of the same type used by the Funds in the regular course of their business for the valuation of similar transactions. The information may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilized. Third parties supplying quotations or market data may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

In addition, other Applicable Benchmark Component Futures Contracts, Other Related Investments and Treasuries held by a Fund will be valued by the Administrator, using rates and points received from client-approved third party vendors (such as Reuters and WM Company) and advisor quotes.

Availability of Information Regarding the Units

The NAV for the Funds will be disseminated daily to all market participants at the same time. The Exchange will make available on its Web site daily trading volume of each of the Units, closing prices of such Units, and number of Units outstanding.

The closing prices and settlement prices of the futures contracts are also readily available from the websites of the relevant Futures Exchanges, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. Complete real-time data for the futures contracts is available by subscription from Reuters and Bloomberg. The relevant Futures Exchanges also provide delayed futures information on current and past trading sessions and market news free of charge on their respective websites. The specific contract specifications for the futures contracts are also available on such websites, as well as other financial informational sources. Information regarding exchange-traded cash-settled options and cleared swap contracts will be available from the applicable exchanges and major market data vendors. Quotation and last-sale information regarding the Units will be disseminated through the facilities of the CTA. In addition, the Funds' websites will display the applicable end of day closing index levels and NAV. The Web site for USMI is *http://www.unitedstatesmetalsindexfund.com;* the Web site for USAI is *http://www.unitedstatesagricultureindexfund.com;* and the Web site for USCUI is *http://www.unitedstatescopperindexfund.com.*

The Funds will provide Web site disclosure of portfolio holdings daily and will include, as applicable, the names and value (in U.S. dollars) of financial instruments and characteristics of such instruments and cash equivalents, and amount of cash held in the portfolios of the Funds. This Web site disclosure of the portfolio composition of the Funds will occur at the same time as the disclosure by the Sponsor of the portfolio composition to authorized purchasers so that all market participants are provided portfolio composition information at the same time. Therefore, the same portfolio information will be provided on the public Web site as well as in electronic files provided to authorized purchasers. Accordingly, each investor will have access to the current portfolio composition of the Funds through each Fund's Web site.

The Metals Index, Agriculture Index and Copper Index are calculated and disseminated by NYSE Arca to market data vendors during NYSE Arca Core Trading Hours, from 9:30 a.m. E.T. to 4 p.m. E.T., daily on 15 second intervals based on the most recent reported prices of the underlying commodities in the Indexes. A static Index value will be disseminated between the close of trading of all applicable Futures Contracts on Futures Exchanges and the close of the NYSE Arca Core Trading Session.

Dissemination of Indicative Fund Value

In addition, in order to provide updated information relating to each Fund for use by investors and market professionals, NYSE Arca will calculate and disseminate throughout the Core Trading Session on each trading day an updated Indicative Fund Value (''IFV''). The IFV will be calculated by using the prior day's closing NAV per Unit of the Fund as a base and updating that value throughout the trading day to reflect changes in the most recently reported price level of the Applicable Index as reported by Bloomberg or another reporting service.

The IFV Unit basis disseminated during NYSE Arca Core Trading Session hours should not be viewed as an actual real time update of the NAV, because NAV is calculated only once at the end of each trading day based upon the relevant end of day values of the applicable Fund's investments.

The IFV will be disseminated on a per Unit basis every 15 seconds during the regular NYSE Arca Core Trading Session. The normal trading hours of the Futures Exchanges vary, with some ending their trading hours before the close of the Core Trading Session on NYSE Arca (for example, the normal trading hours of the NYMEX are 10 a.m. E.T. to 2:30 p.m. E.T. When a Fund holds applicable Benchmark Component Futures Contracts from Futures Exchanges with different trading hours than NYSE Arca there will be a gap in time at the beginning and/or the end of each day during which Units will be traded on NYSE Arca, but real-time Futures Exchange trading prices for Applicable Benchmark Component Futures Contracts traded on such Futures Exchanges will not be available. As a result, during those gaps there will be no update to the IFV. A static IFV will be disseminated between the close of trading of all applicable Futures Contracts on Futures Exchanges and the close of the NYSE Arca Core Trading Session.

In addition, other applicable Benchmark Component Futures Contracts, Other Related Investments and Treasuries held by a Fund will not be included in the IFV. The IFV is based on the prior day's NAV and moves up and down solely according to changes in the Applicable Index value as reported on Bloomberg or another reporting service.

The Exchange believes that dissemination of the IFV provides additional information that is not otherwise available to the public and is useful to investors and market professionals in connection with the trading of the Units of each Fund on NYSE Arca.

Trading Rules

The Exchange deems the Units to be equity securities, thus rendering trading in the Units subject to the Exchange's existing rules governing the trading of equity securities. Units will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m. E.T. The Exchange has appropriate rules to facilitate transactions in the Units during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation (''MPV'') for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is $0.01, with the exception of securities that are priced less than $1.00 for which the MPV for order entry is $0.0001.

The trading of the Units will be subject to NYSE Arca Equities Rule 8.200, Commentary .02(e), which sets forth certain restrictions on Equity Trading Permit (''ETP'') Holders acting as registered Market Makers in Trust Issued Receipts to facilitate surveillance. See ''Surveillance'' below for more information.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Units. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Units inadvisable. These may include: (1) The extent to which trading is not occurring in the underlying futures contracts, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Units will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's ''circuit breaker'' rule [22] or by the halt or suspension of trading of the underlying futures contracts.

The Exchange represents that the Exchange may halt trading during the day in which the interruption to the dissemination of the IFV or the value of the underlying futures contracts occurs. If the interruption to the dissemination of the IFV or the value of the underlying futures contracts 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. In addition, if the Exchange becomes aware that the NAV with respect to the Units is not disseminated to all market participants at the same time, it will halt trading in the Units until such time as the NAV is available to all market participants.

Surveillance

The Exchange intends to utilize its existing surveillance procedures applicable to derivative products, including Trust Issued Receipts, to monitor trading in the Units. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Units in all trading sessions and to deter and detect violations of Exchange rules and applicable Federal securities laws.

The Exchange's current trading surveillances focus on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. The Exchange is able to obtain information regarding trading in the Units, the physical commodities included in, or options, futures or options on futures on, Units through ETP Holders, in connection with such ETP Holders' proprietary or customer trades through ETP Holders which they effect on any relevant market. The Exchange can obtain market surveillance information, including customer identity information, with respect to transactions occurring on exchanges that are members of the Intermarket Surveillance Group (''ISG''), including CME, CBOT, COMEX, NYMEX (all of which are part of CME Group, Inc.) and ICE Futures. In addition, the Exchange currently has in place a comprehensive surveillance sharing agreement with the LME and KCBT for the purpose of providing information in connection with trading in or related to futures contracts traded on LME and KCBT, respectively. A list of ISG members is available at *http://www.isgportal.org.*[23]

[22] *See* NYSE Arca Equities Rule 7.12.

[23] The Exchange notes that not all Other Related Investments may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, with respect to each Fund's futures contracts traded on exchanges, not more than 10% of the weight of such futures contracts in the aggregate shall consist of components whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

The Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Units. Specifically, the Information Bulletin will discuss the following: (1) The risks involved in trading the Units during the Opening and Late Trading Sessions when an updated IFV will not be calculated or publicly disseminated; (2) the procedures for purchases and redemptions of Units in Creation Baskets and Redemption Baskets (and that Units are not individually redeemable); (3) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Units; (4) how information regarding the IFV is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Units prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to a Fund. The Exchange notes that investors purchasing Units directly from a Fund will receive a prospectus. ETP Holders purchasing Units from a Fund for resale to investors will deliver a prospectus to such investors. The Information Bulletin will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Bulletin will reference that a Fund is subject to various fees and expenses described in the Registration Statement. The Information Bulletin will also reference that the CFTC has regulatory jurisdiction over the trading of futures contracts traded on U.S. markets.

The Information Bulletin will also disclose the trading hours of the Units of a Fund and that the NAV for the Units is calculated after 4 p.m. E.T. each trading day. The Bulletin will disclose that information about the Units of a Fund is publicly available on the Fund's Web site.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5) [24] that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Units will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.200 and Commentary .02 thereto. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Units in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. The closing prices and settlement prices of the futures contracts held by the Funds are readily available from the websites of the relevant Futures Exchanges, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. The relevant Futures Exchanges also provide delayed futures information on current and past trading sessions and market news free of charge on their respective Web sites. Quotation and last sale information for the Units will be available via CTA. In addition, the Funds' Web sites will display the applicable end of day closing index levels and NAV. The Funds' total portfolio composition will be disclosed on the Funds' Web sites.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information is publicly available regarding the Funds and the Units, thereby promoting market transparency. NYSE Arca will calculate and disseminate throughout the Core Trading Session on each trading day an updated IFV. Trading in Units of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Units inadvisable. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Units.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Units and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the Funds' holdings, IFV, and quotation and last sale information for the Units.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

[24] 15 U.S.C. 78f(b)(5).

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an e-mail to *rule-comments@sec.gov*. Please include File Number SR–NYSEArca–2011–63 on the subject line.

Paper comments

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

All submissions should refer to File Number SR–NYSEArca–2011–63. 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSEArca–2011–63 and should be submitted on or before September 30, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Elizabeth M. Murphy,

Secretary.

[FR Doc. 2011–23035 Filed 9–8–11; 8:45 am]

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[25] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–65256; File No. SR–C2–2011–008]

Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Order Approving Proposed Rule Change to Establish a Pilot Program To List and Trade a p.m.-Settled Cash-Settled S&P 500 Index Option Product

September 2, 2011.

I. Introduction

On February 28, 2011, C2 Options Exchange, Incorporated (the "Exchange" or "C2") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to permit the listing and trading of p.m.-settled, cash-settled options on the Standard & Poor's 500 Index ("S&P 500"). The proposed rule change was published for comment in the **Federal Register** on March 8, 2011.[3] The Commission received seven comment letters on the proposal, some of which urged the Commission to disapprove the proposal.[4] C2 responded to the comment letters in a response letter dated April 20, 2011.[5] To ensure that the Commission had sufficient time to consider and take action on the Exchange's proposal in light of, among other things, the comments received on the proposal, the Commission extended the time period in which to either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change, to June 6, 2011.[6]

In order to solicit additional input from interested parties, including relevant data and analysis, on the issues presented by C2's proposed rule change, on June 3, 2011, the Commission instituted proceedings to determine whether to approve or disapprove C2's proposal.[7] In its order instituting the proceedings, the Commission specifically noted its interest in receiving additional data and analysis relating to the potential effect that proposed p.m.-settled index options could have on the underlying cash equities markets. In response to the proceedings, the Commission received an additional three comment letters on the proposal as well as a rebuttal letter from C2.[8] This order approves the proposed rule change on a 14-month pilot basis.

II. Description of the Proposal

The Exchange's proposal would permit it to list and trade cash-settled S&P 500 index options with third-Friday-of-the-month ("Expiration Friday") expiration dates for which the exercise settlement value will be based on the index value derived from the closing prices of component securities ("p.m.-settled"). The proposed contract (referred to as "SPXPM") would use a $100 multiplier, and the minimum trading increment would be $0.05 for options trading below $3.00 and $0.10 for all other series. Strike price intervals would be set no less than 5 points apart. Consistent with existing rules for index options, the Exchange would allow up to twelve near-term expiration months, as well as LEAPS. Expiration processing would occur on the Saturday following Expiration Friday. The product would have European-style exercise and would not be subject to position limits, though there would be enhanced reporting requirements.

The Exchange proposes that the SPXPM product be approved on a pilot basis for an initial period of fourteen months. As part of the pilot program, the Exchange committed to submit a pilot program report to the Commission at least two months prior to the

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 64011 (March 2, 2011), 76 FR 12775 ("Notice").

[4] *See* Letters to Elizabeth M. Murphy, Secretary, Commission, from Randall Mayne, Blue Capital Group, dated March 18, 2011 and April 28, 2011 ("Mayne Letter 1" and "Mayne Letter 2"); Michael J. Simon, Secretary, International Securities Exchange, LLC ("ISE"), dated March 29, 2011 and May 11, 2011 ("ISE Letter 1" and "ISE Letter 2"); Andrew Stevens, Legal Counsel, IMC Financial Markets, dated March 24, 2011 ("IMC Letter"); John Trader, dated April 20, 2011 ("Trader Letter"); and JP, dated April 30, 2011 ("JP Letter").

[5] *See* Letter to Elizabeth M. Murphy, Secretary, Commission, from Joanne Moffic-Silver, Secretary, C2, dated April 20, 2011 ("C2 Response Letter").

[6] *See* Securities Exchange Act Release No. 64266 (April 8, 2011), 76 FR 20757 (April 13, 2011).

[7] *See* Securities Exchange Act Release No. 64599 (June 3, 2011), 76 FR 33798 (June 9, 2011).

[8] *See* Letters to Elizabeth M. Murphy, Secretary, Commission, from Michael J. Simon, Secretary, International Securities Exchange, LLC dated July 11, 2011 ("ISE Letter 3"); William J. Brodsky, Chairman and Chief Executive Officer, C2, dated July 11, 2011 ("CBOE Letter 3"); Thomas Foertsch, President, Exchange Capital Resources, dated July 11, 2011; and William J. Brodsky, Chairman and Chief Executive Officer, C2, dated July 25, 2011.