



STOCK EXCHANGE			
Regulatory Information Circular			
<b>Circular number:</b>	2008-98	<b>Contact:</b>	Russ Davidson
<b>Date:</b>	October 3, 2008	<b>Telephone:</b>	(646) 805-1857

**Subject: Rydex ETF Trust**

**Background Information on the Fund**

As more fully explained in the Registration Statement (No. 333-101625 and 811-21261) for the Trust, the Trust is a registered open-end management investment company currently consisting of separate investment series, i.e., the Funds. The Funds are investment companies registered under the Investment Company Act of 1940, as amended (“1940 Act”), and commonly referred to as “exchange-traded funds.”

The Rydex 2x S&P 500 ETF (RSU) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the performance of the S&P 500 Index.

The Rydex Inverse 2x S&P 500 ETF (RSW) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the inverse (opposite) of the performance of the S&P 500 Index.

The Rydex 2x S&P MidCap 400 ETF (RMM) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the performance of the S&P MidCap 400 Index.

The Rydex Inverse 2x S&P MidCap 400 ETF (RMS) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the inverse (opposite) of the performance of the S&P MidCap 400 Index.

The Rydex 2x Russell 2000 ETF (RRY) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the performance of the Russell 2000® Index.

The Rydex Inverse 2x Russell 2000 ETF (RRZ) seeks to provide investment results that will match the performance of a specific benchmark, before fees and expenses, on a daily basis. The Fund’s current benchmark is 200% of the inverse (opposite) of the performance of the Russell 2000® Index.

Rydex Investments (“Advisor”) serves as the investment adviser to the Funds. Rydex Distributors, Inc. (“Distributor”) is the distributor for the Funds. State Street Bank and Trust Company is the custodian, administrator, transfer agent and fund accounting agent for the Funds (Custodian”).

As described more fully in the Trust’s Prospectus and Statement of Additional Information (“SAI”), each Fund issues and redeems shares (“Shares”) at their net asset value (“NAV”) only in large blocks of 50,000 Shares (each block of 50,000 Shares called a “Creation Unit”), generally in exchange for a basket of securities included in the Index (“Deposit Securities”), together with the deposit of a specified cash payment (“Cash Component”). The Cash Component for RSU, RMM and RRY is an amount equal to the difference between the NAV of their shares (per Creation Unit) and the market value of their Deposit Securities. The Cash Component for RSW, RMS and RRZ will equal the NAV of their Creation Unit. Shares of the Funds will trade on the Exchange at market prices that may differ from their NAV. Except when aggregated in Creation Units, the Shares may not be redeemed with a Fund.

The Funds pay out dividends from net investment income, if any, to shareholders at least annually. Distributions of net capital gains, if any, are declared and distributed to shareholders annually, but the Trust may make distributions more frequently under certain circumstances.

The Depository Trust Company (“DTC”) serves as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

Each Fund’s NAV is determined shortly after 4:00 p.m. Eastern standard time (“ET”) on each day that the New York Stock Exchange (“NYSE”) and the American Stock Exchange (“Amex”) are open for business (a “Business Day”). The NAV is available from the Trust and the Amex and is also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Trusts registration statement describes the various fees and expenses for the Fund’s shares. For a more complete description of the Funds and the Indexes, visit [www.rydexfunds.com](http://www.rydexfunds.com).

### **Purchases and Redemptions in Creation Unit Size**

Equity EAMs are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust’s Prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof.

The Trust will issue and sell Shares only in Creation Units on a continuous basis through the Distributor, without a sales load, at their NAV next determined after receipt, on any Business Day, of a purchase order in proper form. Creation units of RSU, RMM and RRY will generally consist of the Deposit Securities and the Cash Component. Creation Units of RSW, RMS and RRZ will be issued by the Funds solely in exchange for cash (“All-Cash Payment”). The use of an All-Cash Payment for the purchase of Creation Unit Aggregations is due to the limited transferability of the Financial Instruments. Purchasers

will generally be required to deposit a specified cash payment in the manner described in the Application.

Orders must be placed in proper form by or through either (i) a “Participating Party”, i.e., a broker-dealer or other participant in the clearing process of the Continuous Net Settlement System of the NSCC; or (ii) a participant of the DTC, that, in either case, has entered into an agreement with the Trust and the Distributor, with respect to creations and redemptions of Creation Units. All orders must be placed for one or more whole Creation Units and must be received by the Distributor in proper form no later than the close of regular trading on NYSE (ordinarily 4:00 p.m. ET) on the date the order is placed (the “Transmittal Date”) in order to receive the NAV per Share determined on the Transmittal Date. A creation transaction fee payable to the Custodian is imposed on each creation transaction.

With respect to the Shares of RSU, RMM and RRY the redemption proceeds for Creation Units will generally consist of Fund Securities plus cash in an amount equal to the Fund’s NAV less a redemption transaction fee payable to the Custodian next determined after receipt of a redemption request in proper form by the Distributor and only on a Business Day.

Shares of RSW, RMS and RRZ will be redeemed solely for an All-Cash Payment in an amount equal to the NAV less a redemption transaction fee payable to the Custodian next determined after receipt of a redemption request in proper form by the Distributor and only on a Business Day. The use of an All-Cash Payment for the redemption of a Creation Unit is due to the limited transferability of the Financial Instruments.

### **Principal Risks**

Interested persons are referred to the Trust’s Prospectus for a description of risks associated with an investment in the Shares. These risks include the risk that each Fund’s investment strategy may subject such Fund to greater changes to the value of portfolio holdings and imperfect correlation to the relevant Underlying Index. Each Fund may also not correlate to the relevant Underlying Index for a number of reasons including the incursion by the Fund of operating expenses and costs not applicable to the Index. Over time, the cumulative percentage increase or decrease in the NAV of a Fund may diverge significantly from the cumulative percentage increase or decrease in the multiple return of the Underlying Index due to the compounding effect of losses and gains on the returns of a Fund. In addition, as noted in the Prospectus, the Shares trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund’s holdings while the market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

### **Exchange Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

### **Trading Hours**

The Shares will trade on ISE between 9:00 a.m. and 4:00 p.m. ET.

Equity EAMs trading the Shares during the Pre-Market Session are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Pre-Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Pre-Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Pre-Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

ISE will halt trading in the Shares of a Trust in accordance with ISE Rule 2101(a)(2)(iii). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, ISE will stop trading the Shares of a Trust if the primary market de-lists the Shares.

### **Suitability**

Trading in the Shares on ISE will be subject to the provisions of ISE Rule 2123(l). Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in ISE Rule 2123(l).

Equity EAMs also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund's website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The Commission issued a letter dated October 31, 2007, ("No-Action Letter") granting

exemptive or no-action relief from certain rules under the Securities Exchange Act of 1934 for the Funds.

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

### **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;

1. Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
2. Except for the identity, number and price of shares of the component securities of the
3. Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

### **SEC Rule 14e-5**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:

1. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
2. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
3. such bids or purchases are not effected for the purpose of facilitating such tender offer.

### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

### **SEC Rule 15c1-5 and 15c1-6**

The Commission has issued a No-Action letter with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of fund shares and secondary market transactions therein.

**This Regulatory Information Bulletin is not a statutory Prospectus. Equity EAMs should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.**

**Appendix A**  
**Exchange-Traded Fund Symbol**

**Ticker Fund Name**  
RSU Rydex 2x S&P 500 ETF

**Ticker Fund Name**  
RSW Rydex Inverse 2x S&P 500 ETF

**Ticker Fund Name**  
RMM Rydex 2x S&P MidCap 400 ETF

**Ticker Fund Name**  
RMS Rydex Inverse 2x S&P MidCap 400  
ETF

**Ticker Fund Name**  
RRY Rydex 2x Russell 2000® ETF

**Ticker Fund Name**  
RRZ Rydex Inverse 2x Russell 2000® ETF