

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 28000; 812-13390]

Rydex ETF Trust, et al.; Notice of Application

September 27, 2007

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of an application to amend a prior order under section 6(c) of the Investment Company Act of 1940 (“Act”) for an exemption from sections 2(a)(32), 5(a)(1), 22(d) and 24(d) of the Act and rule 22c-1 under the Act, and under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and (a)(2) of the Act.

Applicants: Rydex ETF Trust (“Trust”), PADCO Advisors II, Inc. (“Adviser”), and Rydex Distributors, Inc. (“Distributor”).

Summary of Application: Applicants request an order to amend a prior order that permits: (a) certain open-end management investment companies (“Initial Funds”) to issue shares redeemable in large aggregations only (“Shares”); (b) secondary market transactions in Shares to occur at negotiated market prices; (c) dealers to sell Shares to secondary market purchasers unaccompanied by a prospectus, when prospectus delivery is not required by the Securities Act of 1933; and (d) certain affiliated persons of the Initial Funds to deposit securities into, and receive securities from, the Initial Funds in connection with the purchase and redemption of aggregations of Shares (“Prior Order”).¹ Applicants seek an amended order to permit the Trust to offer series (“New Inverse Funds”) that seek to achieve the inverse performance of certain international equity and fixed income securities indices (collectively, “New Underlying Indices”). The amended order also would permit the Trust to offer future series (“Future Funds”)

¹ Rydex ETF Trust, et al., Investment Company Act Release Nos. 27703 (Feb. 20, 2007) (notice) and 27754 (Mar. 20, 2007) (order).

that seek to achieve a multiple or the inverse of the performance of additional equity and fixed income securities indices (the New Inverse Funds and Future Funds are “New Funds,” and the New Funds and Initial Funds are “Funds”).

Filing Dates: The application was filed on May 23, 2007, and amended on September 21, 2007. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on October 22, 2007, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer’s interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission’s Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants: Rydex ETF Trust; Rydex Distributors, Inc.; and PADCO Advisors II, Inc., 9601 Blackwell Road, Suite 500, Rockville, MD 20850.

For Further Information Contact: Laura L. Solomon, Senior Counsel, at (202) 551-6915, or Julia Kim Gilmer, Branch Chief, at (202) 551-6821 (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the Commission’s Public Reference Desk, 100 F Street, NE, Washington, DC 20549-0102 (tel. 202-551-5850).

Applicants' Representations:

1. The Trust, a Delaware statutory trust, is an open-end management investment company registered under the Act and is organized as a series fund with multiple separate Funds. The Adviser, which is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"), serves as investment adviser to each Fund. The Adviser may in the future retain one or more sub-advisers ("Sub-Advisers") to manage particular Funds' portfolios. Any Sub-Adviser to a Fund will be registered under the Advisers Act. The Distributor, a broker-dealer registered under the Securities Exchange Act of 1934, serves as the principal underwriter and distributor for the Funds.

2. The Prior Order permits the Initial Funds to seek daily investment results, before fees and expenses, that (a) correspond to 125%, 150% or 200% of the return of certain equity securities indices, or (b) move in the opposite direction of the performance of certain equity securities indices in multiples of 100%, 125%, 150% or 200%. Applicants seek to amend the Prior Order to permit the Trust to issue shares of New Inverse Funds using the New Underlying Indices,² and Future Funds using additional securities indices (such additional indices, together with the New Underlying Indices and the underlying indices for the Initial Funds, the "Underlying Indices").

3. A New Fund using a fixed income index as its Underlying Index will not: (a) hold restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933, or (b) engage in "to-be-announced" transactions when trading mortgage-backed securities.

Additionally, such New Funds will use the same portfolio investment methodology currently used by the Trust except that, where relevant, such Funds may also invest in the fixed income

² The New Underlying Indices, which are described in the application, include 41 international equity indices and 18 fixed income indices.

equivalents of the portfolio investments described in the application for the Prior Order. A New Fund that uses an international index as its Underlying Index will not hold depositary receipts.

4. Applicants state that the New Funds will operate in a manner identical to the Initial Funds that were the subject of the Prior Order, and be offered pursuant to the same terms and conditions of the Prior Order, except as modified by this application. No entity that creates, compiles, sponsors, or maintains an Underlying Index (the “Underlying Index Provider”) is or will be an affiliated person, as defined in section 2(a)(3) of the Act, or an affiliated person of an affiliated person, of the Trust, a promoter, the Adviser, any Sub-Adviser, or the Distributor. Applicants believe that the requested relief continues to meet the necessary exemptive standards.

Future Relief:

1. Applicants seek to amend the Prior Order to modify the terms under which the Trust may offer Future Funds. The Prior Order is currently subject to a condition that does not permit relief for Future Funds unless applicants request and receive with respect to such Future Fund, either exemptive relief from the Commission or a no-action letter from the Division of Investment Management of the Commission.

2. The order would amend the Prior Order to delete this condition. Any Future Fund will: (a) be advised by the Adviser, or an entity controlled by or under common control with the Adviser; (b) use an Underlying Index where the Underlying Index Provider is not an affiliated person, as defined in section 2(a)(3) of the Act, or an affiliated person of an affiliated person, of the Trust, a promoter, the Adviser, any Sub-Adviser, or the Distributor; and (c) comply with the terms and conditions of the Prior Order, as amended by the present application.

3. Applicants believe that the modification of the future relief available under the Prior Order would be consistent with sections 6(c) and 17(b) of the Act. Applicants believe that

granting the requested relief will facilitate the timely creation of Future Funds and the commencement of secondary market trading of such Future Funds by removing the need to seek additional exemptive relief. Applicants submit that the terms and conditions of the Prior Order were appropriate for the Initial Funds and would remain appropriate for Future Funds.

Applicants' Condition:

Applicants agree that any amended order granting the requested relief will be subject to the same conditions as those imposed by the Prior Order, except for condition 1 to the Prior Order, which will be deleted.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Florence E. Harmon
Deputy Secretary