



Information Circular: PowerShares Funds

To: Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

From: William Slattery, Director, NASDAQ Listing Qualifications Department

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Background Information on the Funds

PowerShares DB US Dollar Index Trust, or the Trust, was formed as a Delaware statutory trust in two separate series, or Funds, on August 3, 2006. Each Fund will issue common units of beneficial interest, or Shares, which represent units of fractional undivided beneficial interest in and ownership of such Fund. The DB US Dollar Index Master Trust, or the Master Trust, was formed as a Delaware statutory trust in two separate series, or Master Funds, on August 3, 2006. Each Master Fund will issue common units of beneficial interest, or Master Fund Units, which represent units of fractional undivided beneficial interest in and ownership of such Master Fund. None of the Funds or the Master Funds is registered as an investment company under the Investment Company Act of 1940 and is not required to register under such Act.

Wilmington Trust Company, or the Trustee, a Delaware banking corporation, is the sole trustee of the Trust and the Master Trust. The Trustee delegated to the Managing Owner certain of the power and authority to manage the business and affairs of the Trust and each Fund and the Master Trust and each Master Fund and has only nominal duties and liabilities to the Trust, the Funds, the Master Trust and the Master Funds.

DB Commodity Services LLC, a Delaware limited liability company, will serve as Managing Owner of the Trust and each Fund and the Master Trust and each Master Fund. The Managing Owner is an affiliate of Deutsche Bank AG. The Managing Owner will serve as the commodity pool operator and commodity trading advisor of the Trust and each Fund and the Master Trust and each Master Fund. As a registered commodity pool operator and commodity trading advisor, with respect to both the Trust and each Fund and the Master Trust and each Master Fund, the Managing Owner must comply with various regulatory requirements under the Commodity Exchange Act and the rules and regulations of the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA"), including investor protection requirements, antifraud prohibitions, disclosure requirements, and reporting and recordkeeping requirements. The Managing Owner is also subject to periodic inspections and audits by the CFTC and NFA.

A variety of executing brokers will execute futures transactions on behalf of the Master Funds. Such executing brokers will give-up all such transactions to Deutsche Bank Securities Inc., a Delaware corporation and an affiliate of the Managing Owner, which will serve as each Master Fund's clearing broker, or Commodity Broker.

The Trust and Master Trust, on behalf of each Fund and each Master Fund, respectively, has appointed The Bank of New York as the administrator of each Fund and each Master Fund. The Bank of New York will also serve as custodian and transfer agent of each Fund.

The Funds and the Master Funds seek to track changes, whether positive or negative, in the level of the Deutsche Bank US Dollar Index Futures Index—Excess Return, or the Index, over time, plus the excess, if any, of its corresponding Master Fund's interest income from its holdings of United States Treasury and other high credit quality short-term fixed income securities over the expenses of each Fund and its corresponding Master Fund. The Long Index is calculated to reflect the changes in market value over time, whether positive or negative, of long positions in futures contracts (symbol: DX, traded through the FINEX currency markets of the NYBOT), or DX Contracts. The Short Index is calculated to reflect the changes in market value over time of short positions in DX Contracts. Both the Long Index and the Short Index reflect the changes in market value over time, whether positive or negative, of the DX Contract which expires during the months of March, June, September and December. Each Fund will pursue its investment objective by investing substantially all of its assets in a corresponding Master Fund. The Bullish Master Fund will seek to track the Long Index by establishing long positions in DX Contracts while the Bearish Master Fund will seek to track the Short Index by establishing short positions in DX Contracts.

As described more fully in the prospectus and statement of additional information ("SAI") for the Funds, the Funds will create and redeem Shares from time-to-time, but only in one or more Baskets. A Basket (or "Creation Unit") is a block of 200,000 Shares of a Fund. Baskets may be created or redeemed only by Authorized Participants. Except when aggregated in Baskets, the Shares are not redeemable securities. Authorized Participants may sell the Shares included in the Baskets they purchase from the Funds to other investors. The Master Funds will create and redeem Master Fund Units from time-to-time, but only in one or more Master Unit Baskets. A Master Unit Basket is a block of 200,000 Master Fund Units. Master Unit Baskets in a particular Master Fund may be created or redeemed only by its corresponding Fund. Each Master Fund will be wholly-owned by its corresponding Fund and the Managing Owner.

The Shares of each Fund are evidenced by global certificates that the Fund issues to the Depository Trust Company ("DTC"). The Shares of each Fund are available only in book-entry form. Shareholders may hold Shares of a Fund through DTC, if they are participants in DTC, or indirectly through entities that are participants in DTC. The Master Fund Units of each Master Fund are uncertificated and held by its corresponding Fund in book-entry form.

The intra-day level of the Indexes (symbols: Long Index: USDUPX; Short Index: USDDNX) and the intra-day indicative value per Share of each Fund (symbols: Bullish Fund: UUP; Bearish Fund: UDN) (each quoted in U.S. dollars) will be published once every fifteen seconds throughout each trading day on the consolidated tape, Reuters and/or Bloomberg and on the [Managing Owner's website](#), or any successor thereto.

The current trading price per Share of each Fund (symbols: Bullish Fund: UUP; Bearish Fund: UDN) (quoted in U.S. dollars) will be published continuously as trades occur throughout each trading day on the consolidated tape, Reuters and/or Bloomberg and on the [Managing Owner's website](#), or any successor thereto.

The most recent end-of-day net asset value of each Fund (symbols: Bullish Fund: UUP.NV; Bearish Fund: UDN.NV) will be published as of the close of Reuters and/or Bloomberg and on the [Managing Owner's website](#), or any successor thereto. In addition, the most recent end-of-day net asset value of each Fund will be published the following morning on the consolidated tape.

The registration statement for the Funds describes the various fees and expenses for each Fund's Shares.

For a more complete description of the Funds and the underlying indexes, visit <http://www.dbfunds.db.com>.

Purchases and Redemptions in Creation Unit Size

NASDAQ members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit size are described in the prospectus and SAI for the Funds, and that Shares are not individually redeemable but are redeemable only in Creation Unit size aggregations or multiples thereof.

Principal Risks

Interested persons are referred to the discussion in the prospectus for a Fund of the principal risks of an investment in that Fund. These include, but are not limited to, currency exchange risk, national debt levels, inflation rates, political risks, tracking error risk (factors causing a Fund's performance to not match the performance of the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), stock market risk, investment style risk, interest rate risk, investment approach risk, concentration risk, non-diversification risk, issuer-specific risk, management risk, lack of market liquidity, lack of governmental insurance or guarantee and fiscal policy risk.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on NASDAQ is subject to [NASDAQ equity trading rules](#).

Trading Hours

The values of the indexes underlying the Shares are disseminated to data vendors every 15 seconds.

The Shares will trade on NASDAQ between 9:30 a.m. and 4:00 p.m., ET.

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of [NASDAQ Rule 2310](#). 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 the NASDAQ Conduct Rules.

Members also should review [NASD 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.

Trading Halts

NASDAQ will halt trading in the Shares of a Fund in accordance with [NASDAQ Rule 4120](#). The grounds for a halt under NASDAQ Rule 4120 include a halt by the primary market because the intraday indicative value of the Fund and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons.

In addition, NASDAQ will stop trading the Shares of a Fund if the primary market de-lists the Fund.

Delivery of a Prospectus

NASDAQ members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Funds. Prospectuses may be obtained through the Funds' website at <http://www.dbfunds.db.com>. The prospectus for a Fund does not contain all of the information set forth in the Fund's registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about a Fund, please refer to its registration statement. In the event that the Funds rely upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and in the future make available a written product description, [NASDAQ Rule 4420\(j\)\(2\)](#) requires that NASDAQ members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, NASDAQ members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a NASDAQ member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

A NASDAQ member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to NASDAQ member under this rule.

Upon request of a customer, NASDAQ members also shall provide a copy of the Prospectus.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded funds.

Short Sale Rules

Transactions in ETFs will not be subject to "tick" requirements of the SEC short sale rule (SEC Rule 10a-1) or the "bid" requirements of the NASDAQ short sale rule ([NASDAQ Rule 3350](#)). Short orders must be marked SHORT or SHORT EXEMPT. (See paragraph below regarding Rule 200(g) of Regulation SHO.)

Rule 200(g) of Regulation SHO

The SEC Division of Market Regulation has stated that the Division will not recommend enforcement action under Rule 200(g) of Regulation SHO if a broker-dealer marks "short" rather than "short exempt" a short sale effected in the Funds, subject to specified conditions, including that a broker-dealer executing exempt short sales will mark such sales as "short" and in no event will such sales be marked "long". (See [letter](#) from James A. Brigagliano, Assistant Director, Division of Market Regulation, SEC, to Ira Hammerman, Senior Vice President and General Counsel, Securities Industry Association, dated January 3, 2005.)

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 SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Funds to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of shares of the above-mentioned Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and to (ii) tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Funds for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to 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 Unit size 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:

- (1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- (2) 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);
- (3) Except for the identity, number and price of shares of the component securities of the 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

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Funds to (1) 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 position has been taken under Rule 14e-5 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, if 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 SEC 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 the Funds 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 the ETF to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Funds, 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 SEC has taken a no-action position 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. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. NASDAQ members should consult the prospectus for the Funds and the Funds' website at <http://www.dbfunds.db.com> for relevant information.

Inquiries regarding this Information Circular should be directed to:

- [Will Slattery](#), Director, NASDAQ Listing Qualifications, at 301.978.8088
- NASDAQ Office of General Counsel at 301.978.8400
- [NASDAQ Market Sales](#) at 800.846.0477

Appendix A – PowerShares Funds

Exchange-Traded Fund

PowerShares DB US Dollar Index Bullish Fund
PowerShares DB US Dollar Index Bearish Fund

Symbol

UUP
UDN

CUSIP Number

73936D107
73936D206