

Afterwards, the member will need to notify NASD of its continued reliance on the exception on an annual basis. Members must ensure that each ensuing annual notification is effected no later than on the anniversary date of the previous year's notification. If a member determines that it no longer needs to rely on the "limited size and resources" exception to Rule 3012 to conduct any of its producing managers' supervisory reviews, the member must notify NASD electronically (or through any other process prescribed by NASD) within thirty (30) days of ceasing to rely on the exception.

NASD has recently designed an electronic reporting system that will enable members to notify NASD of their reliance on the exception. Members will be able to access this reporting system on the effective date of this proposed rule change.

NASD will announce the effective date of the proposed rule change in a *Notice to Members* to be published no later than 60 days following Commission approval. The effective date will be 30 days following publication of the *Notice to Members* announcing Commission approval.

B. Comment Summary

The proposal was published for comment in the **Federal Register** on August 9, 2005.⁸ We received one comment on the proposal. The commenter, Lincoln Investment Planning, Inc. ("Lincoln"), expressed concern that the proposed annual notification requirement for members that rely on Rule 3012's "Limited Size and Resources" exception would impose an undue burden on members to remember the anniversary date of the initial notification.⁹ Instead, Lincoln stated that this burden could be reduced by requiring members relying on this exception to only provide an initial notification of their reliance and a second notification when they cease to rely on it. Alternatively, Lincoln also suggested that NASD consider making the notification requirement a part of the quarterly updated NASD Control System.¹⁰

In response to the Lincoln letter, NASD stated that "[t]he annual notification requirement helps NASD to provide the SEC with the most accurate information possible. To aid members in completing their annual notification requirement, the electronic reporting

system that NASD has designed for members to use, records and displays the date of the member's previous notification."¹¹ Furthermore, to mitigate any concerns regarding a member's obligation to remember the anniversary date of its reliance on the exception, NASD stated that it "expects to provide members with reminders, electronic or otherwise, in advance of the members' anniversary date for notification of continued reliance on the exception."¹²

III. Discussion and Findings

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the provisions of Section 15A(b)(6)¹³ of the Act, which require, among other things, NASD's rules to be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

Rule 3012 requires independent supervisory reviews of producing managers. It is designed to prevent fraudulent and manipulative practices and to protect investors. In approving the rule, the Commission said it expected that Rule 3012

will reduce potential conflicts of interests in situations where the producing branch manager is responsible for generating substantial revenues for the benefit of his supervisor. The Commission believes that such heightened supervisory procedures should help address the potential conflicts of interest with sufficient flexibility so as not to create undue burdens and costs on members.¹⁴

The rule recognizes, however, that certain firms may conduct their business with significant limitation in size and resources, and accounted for this limitation by approving a "Limited Size and Resources" exception. The Commission concluded that the "Limited Size and Resources" exception was consistent with Section 15A(b)(6) because it accommodated the smallest NASD members that lack the resources to implement a full scale program to conduct supervisory reviews.¹⁵ However, in approving this exception, the Commission expected NASD to monitor closely the use of this exception to prevent its abuse or use by members

other than those for which it was intended.¹⁶

NASD proposed this amendment to Rule 3012 to provide an efficient measure for monitoring the use of the exception. The Commission believes that this proposed rule change, as amended, accomplishes the goals of Section 15(A)(b)(6) by enabling NASD and the Commission to efficiently monitor members that rely on the "Limited Size and Resources" exception in Rule 3012.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act¹⁷ that the proposed rule change, as amended (SR-NASD-2005-084), be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52816; File No. SR-NYSE-2005-70]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to iShares® MSCI Index Funds

November 21, 2005.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 6, 2005, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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 and is approving the proposal on an accelerated basis.

¹⁶ *Id.*

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹¹ See letter from Patricia M. Albrecht, Assistant General Counsel, NASD, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated Oct. 4, 2005.

¹² *Id.*

¹³ 15 U.S.C. 78o-3(b)(6).

¹⁴ See Exchange Act Release No 49883 (June 17, 2004).

¹⁵ See Exchange Act Release No. 50477 (Sept. 30, 2004).

⁸ See Notice, *supra* note 3.

⁹ See e-mail to rule-comments@sec.gov from Deidre B. Koerick, Lincoln Investment Planning, Inc., dated Aug. 30, 2005.

¹⁰ *Id.*

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

The Exchange proposes to list and trade the following iShares® Index Funds, which are Investment Company Units ("ICUs") under section 703.16 of the Exchange Listed Company Manual: iShares MSCI SM Belgium Index Fund, iShares MSCI France Index Fund, iShares MSCI Italy Index Fund, iShares MSCI Netherlands Index Fund, iShares MSCI Spain Index Fund, iShares MSCI Sweden Index Fund, and iShares MSCI Switzerland Index Fund.³

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 Exchange 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 these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange has adopted listing standards applicable to ICUs, which are consistent with the listing criteria currently used by other exchanges, and trading standards pursuant to which the Exchange may trade ICUs on the Exchange, including on an unlisted trading privileges ("UTP") basis.⁴ The Exchange now proposes to list the following iShares Index Funds ("Funds"), which are ICUs under section 703.16 of the Exchange Listed Company Manual: iShares MSCI SM Belgium Index Fund, iShares MSCI France Index Fund, iShares MSCI Italy Index Fund, iShares MSCI Netherlands

Index Fund, iShares MSCI Spain Index Fund, iShares MSCI Sweden Index Fund, and iShares MSCI Switzerland Index Fund.⁵

The Funds are currently listed and traded on the American Stock Exchange ("Amex")⁶ and the issuer of the Funds, iShares, Inc., intends to move the listing of the Funds to the NYSE. The Funds also trade on other securities exchanges⁷ and in the over-the-counter market. The Exchange stated that the information below is intended to provide a description of how the Funds were created and are traded.⁸

The shares of the Funds are issued by iShares, Inc., an open-ended management investment company. Barclays Global Fund Advisors ("BGFA"), a subsidiary of Barclays Global Investors, N.A. ("BGI"), is the investment advisor ("Advisor") for each Fund.⁹ BGI is a wholly owned indirect

³ iShares, Inc. is registered under the Investment Company Act of 1940 (15 U.S.C. 80a) (the "Investment Company Act"). The current registration statement for iShares, Inc. (the "Registration Statement") was filed with the Commission on Form N-1A on December 29, 2004. Telephone conversation between David Hsu, Special Counsel, Division of Market Regulation ("Division"), Commission, and Michael Cavalier, Assistant General Counsel, NYSE, on October 20, 2005.

⁶ The Funds were formerly known as World Equity Benchmark Shares or WEBS, and an initial series of WEBS, including the Funds that are the subject of the instant filing were initially approved for listing and trading on the Amex in 1996. See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996) (SR-Amex-95-43). The Commission has previously approved trading on the NYSE on an UTP basis of the iShares MSCI Japan Index Fund. See Securities Exchange Act Release No. 46298 (August 1, 2002), 67 FR 51614 (August 8, 2002) (SR-NYSE-2002-27). The Commission also has approved trading on the NYSE of the following iShares Funds on a UTP basis: iShares MSCI EAFE; iShares S&P Europe 350; iShares MSCI Taiwan; iShares MSCI Pacific ex-Japan; iShares MSCI Brazil; iShares MSCI United Kingdom; iShares MSCI South Korea; iShares MSCI Singapore; iShares MSCI Germany; iShares MSCI Australia; iShares MSCI Mexico; iShares MSCI Hong Kong; iShares MSCI South Africa; iShares MSCI Emerging Markets Free; and iShares MSCI Malaysia. See Securities Exchange Act Release No. 50142 (August 3, 2004), 69 FR 48539 (August 10, 2004) (SR-NYSE-2004-27).

⁷ See, e.g., Securities Exchange Act Release No. 39117 (September 22, 1997), 62 FR 50973 (September 29, 1997) (SR-CHX-96-14) (approving the UTP trading of WEBS).

⁸ Much of the information in this filing was taken from the Prospectus of iShares, Inc., dated January 1, 2005, as revised on September 23, 2005, and the Statement of Additional Information ("SAI") of iShares, Inc., dated January 1, 2005, as revised on September 23, 2005, and from the iShares Web site (<http://www.iShares.com>). Fund information relating to the net asset value ("NAV"), returns, dividends, component stock holdings and other information is updated on a daily basis on the iShares Web site.

⁹ While the Advisor would manage the Funds, the Funds' Board of Directors would have overall responsibility for the Funds' operations. The composition of the Board is, and would be, in

subsidiary of Barclays Bank PLC of the United Kingdom. BGFA and its affiliates are not affiliated with the index provider (MSCI). Investors Bank and Trust Company ("IBT") serves as administrator, custodian, and transfer agent for the Funds, and SEI Investments Distribution Co. is distributor for the Funds. The distributor is not affiliated with the Exchange or BGFA.

The underlying indexes are compiled by Morgan Stanley Capital International ("MSCI"). MSCI is a partially-owned subsidiary of Morgan Stanley. MSCI and Morgan Stanley do not share any employees that are directly involved in the index compilation. MSCI employees directly involved in the index compilation do not report directly to any Morgan Stanley personnel. MSCI has established policies and procedures for the handling and monitoring the dissemination of confidential, non-public information relating to the MSCI indices. These policies and procedures include specific "firewall" procedures regulating the flow of information between MSCI and Morgan Stanley personnel. BGI and its affiliates have no involvement in selection of component stocks in the underlying indexes.

Operation of the Fund

Each Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the applicable underlying index ("Underlying Index"). Each Fund intends to qualify as a Regulated Investment Company ("RIC") under the Internal Revenue Code (the "Code"). The Funds utilize representative sampling to invest in a representative sample of securities in the applicable underlying index.

Each Fund seeks to achieve its objective by investing primarily in securities issued by companies that comprise the relevant Underlying Index. Each Fund operates as an index fund and will not be actively managed. Adverse performance of a security in a Fund's portfolio will ordinarily not result in the elimination of the security from a Fund's portfolio.

Each Fund engages in representative sampling, which is investing in a representative sample of securities in the Underlying Index, selected by BGFA to have a similar investment profile as the Underlying Index. Securities selected have aggregate investment

compliance with the requirements of section 10 of the Investment Company Act (15 U.S.C. 80a-10). The Funds are subject to and must comply with section 303A.06 of the Manual, which requires that the Funds have an audit committee that complies with Commission Rule 10A-3.

³ MSCI and MSCI Indices are registered service marks of Morgan Stanley & Co., Incorporated.

⁴ In 1996, the Commission approved Section 703.16 of the Exchange Listed Company Manual (the "Manual"), which sets forth the rules related to the listing of ICUs. See Securities Exchange Act Release No. 36923 (March 5, 1996), 61 FR 10410 (March 13, 1996) (SR-NYSE-95-23). In 2000, the Commission also approved the Exchange's "generic" listing standards pursuant to Rule 19b-4(e) of the Act for the listing and trading, or the trading pursuant to UTP, of ICUs under Section 703.16 of the Manual and Exchange Rule 1100. See Securities Exchange Act Release No. 43679 (December 5, 2000), 65 FR 77949 (December 13, 2000) (SR-NYSE-00-46).

characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation, and yield) and liquidity measures similar to those of the relevant Underlying Index. Funds that use representative sampling generally do not hold all of the securities that are included in the relevant underlying index.

From time to time, adjustments may be made in the portfolio of a Fund in accordance with changes in the composition of the underlying index or to maintain compliance with requirements applicable to a RIC under the Code.¹⁰ For example, if at the end of a calendar quarter a Fund would not comply with the RIC diversification tests, the Advisor would make adjustments to the portfolio to ensure continued RIC status.

The iShares MSCI France Fund will at all times invest at least 90% of its assets in the securities of the Underlying Index and ADRs representing the component securities in the Underlying Index. Each of the iShares Belgium, Italy, Netherlands, Spain, Sweden, and Switzerland Funds will at all times invest at least 80% of its assets in securities of the applicable Underlying Index and ADRs based on the component securities of its Underlying Index, and at least 90% of its assets in the securities and ADRs based on such securities of its Underlying Index or in securities or ADRs included in the relevant market, but not in its Underlying Index.¹¹ Therefore, each of the Funds will invest not more than 10% of fund assets in ADRs and other securities,¹² which are not included in or based on the component securities of its Underlying Index and are also not included in the relevant market. Each of

the ADRs in which these Funds will invest shall be listed on a national securities exchange or the Nasdaq Stock Market.

Index Descriptions and Methodology

Weighting. According to the Funds' SAI effective May 31, 2002, all single-country MSCI Indices are free float weighted, *i.e.*, companies are included in the indices at the value of their free public float (free float, multiplied by price). MSCI defines "free float" as total shares excluding shares held by strategic investors such as governments, corporations, controlling shareholders and management, and shares subject to foreign ownership restrictions. In other words, the free float of a security is the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors. In practice, limitations on free float available to international investors include: (i) Strategic and other shareholdings not considered part of available free float; and (ii) limits on share ownership for foreigners. Under MSCI's free float-adjustment methodology, a constituent "Inclusion Factor" is equal to its estimated free float rounded-up to the closest 5% for constituents with free float equal to or exceeding 15%. For example, a constituent security with a free float of 23.2% will be included in the index at 25% of its market capitalization. For securities with a free float of less than 15% that are included on an exceptional basis, the estimated free float is adjusted to the nearest 1%.

MSCI's standard equity indices generally seek to have 85% of the free float-adjusted market capitalization of a country's stock market reflected in the MSCI Index for such country. Market capitalization weighting, combined with a consistent target of 85% of free float-adjusted market capitalization, helps ensure that each country's weight in regional and international indices approximates its weight in the total universe of developing and emerging markets.

Selection Criteria. MSCI undertakes an index construction process, which involves: (i) Defining the equity universe; (ii) adjusting the total market capitalization of all securities in the universe for free float available to foreign investors; (iii) classifying the universe of securities under the Global Industry Classification Standard (the "GICS"); and (iv) selecting securities for inclusion according to MSCI's index construction rules and guidelines.

The index construction process starts at the country level, with the identification of all listed securities for

that country. MSCI classifies each company and its securities in only one country. This allows securities to be sorted distinctly by their respective countries. In general, companies and their respective securities are classified as belonging to the country in which they are incorporated. All listed equity securities, or listed securities that exhibit characteristics of equity securities, except investment trusts, mutual funds and equity derivatives, are eligible for inclusion in the universe. Shares of non-domiciled companies generally are not eligible for inclusion in the universe.

After identifying the universe of securities, MSCI calculates the free float-adjusted market capitalization of each security in that universe using publicly available information. The process of free float adjusting market capitalization involves (i) defining and estimating the free float available to foreign investors for each security, using MSCI's definition of free float; (ii) assigning a free float-adjustment factor to each security; and (iii) calculating the free float-adjusted market capitalization of each security.

Classifying Securities Under the GICS. In addition to the free float-adjustment of market capitalization, all securities in the universe are assigned to an industry-based hierarchy that describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor's, the GICS. This comprehensive classification scheme provides a universal approach to industries worldwide and forms the basis for achieving MSCI's objective of reflecting broad and fair industry representation in its indices.

Selecting Securities for Index Inclusion. In an attempt to ensure a broad and fair representation in the indices of the diversity of business activities in the universe, MSCI follows a "bottom-up" approach to index construction, building indices up to the industry group level. The bottom-up approach to index construction requires a thorough analysis and understanding of the characteristics of the universe. This analysis drives the individual security selection decisions, which aim to reflect the overall features of the universe in the country index. MSCI targets an 85% free float-adjusted market representation level within each industry group, within each country. The security selection process within each industry group is based on the careful analysis of: (i) Each company's business activities and the diversification that its securities would bring to the index; (ii) the size (based on free float-adjusted market capitalization)

¹⁰ In order for the Fund to qualify for tax treatment as a RIC, it must meet several requirements under the Code. Among these is a requirement that, at the close of each quarter of the Fund's taxable year, (1) at least 50% of the market value of the Fund's total assets must be represented by cash items, U.S. government securities, securities of other RICs and other securities, with such other securities limited for the purpose of this calculation with respect to any one issuer to an amount not greater than 5% of the value of the Fund's assets and not greater than 10% of the outstanding voting securities of such issuer; and (2) not more than 25% of the value of its total assets may be invested in securities of any one issuer, or two or more issuers that are controlled by the Fund (within the meaning of section 851(b)(4)(B) of the Code) and that are engaged in the same or similar trades or business (other than U.S. government securities of other RICs).

¹¹ Telephone conversation between Florence Harmon, Senior Special Counsel, Division, and Michael Cavalier, Assistant General Counsel, NYSE, on November 15, 2005.

¹² *Id.*

and liquidity of securities;¹³ (iii) the estimated free float for the company and its individual share classes. Only securities of companies with estimated free float greater than 15% are, in general, considered for inclusion. Exceptions to this general rule are made only in significant cases, where not including a security of a large company would compromise the index's ability to fully and fairly represent the characteristics of the underlying market.

Exchange Rates. The prices used to calculate the MSCI Indices are the official exchange closing prices or those figure accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

For the MSCI Indices, MSCI uses the foreign currency exchange rates published by WM Reuters at 4 p.m. London time. MSCI uses WM Reuters rates for all developed and emerging markets. Exchange rates are taken daily at 4 p.m. London time by the WM Company and are sourced whenever possible from multi-contributor quotes on Reuters. Representative currency exchange rates are selected for each currency based on a number of "snapshots" of the latest contributed quotations taken from the Reuters service at short intervals around 4 p.m. London time. WM Reuters provides closing bid and offer rates. MSCI uses these to calculate the mid-point to five decimal places.

MSCI continues to monitor currency exchange rates independently and may, under exceptional circumstances, elect to use an alternative currency exchange rate if the WM Reuters rate is believed not to be representative for a given currency on a particular day.

Changes to the Indices. According to the Registration Statement, the MSCI Indices are maintained with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets. In maintaining the MSCI Indices, emphasis is also placed on continuity, replicability, and minimizing turnover in the Indices. Maintaining the MSCI Indices involves many aspects, including additions to and deletions from the Indices and changes in number of shares and changes in Foreign Inclusion Factors ("FIFs") as a result of updated free float estimates.

Potential additions are analyzed not only with respect to their industry group, but also with respect to their

industry or sub-industry group, in order to represent a wide range of economic and business activities. All additions are considered in the context of MSCI's methodology, including the index constituent eligibility rules and guidelines.

In assessing deletions, it is important to emphasize that indices must represent the full-investment cycle, including bull as well as bear markets. Out-of-favor industries and their securities may exhibit declining prices, declining market capitalization, and/or declining liquidity, and yet are not deleted because they continue to be good representatives of their industry group.

As a general policy, changes in number of shares are coordinated with changes in FIFs to accurately reflect the investability of the underlying securities. In addition, MSCI continuously strives to improve the quality of its free float estimates and the related FIFs. Additional shareholder information may come from better disclosure by companies or more stringent disclosure requirements by a country's authorities. It may also come from MSCI's ongoing examination of new information sources for the purpose of further enhancing free float estimates and better understanding shareholder structures. When MSCI identifies useful additional sources of information, it seeks to incorporate them into its free float analysis.

Overall, index maintenance can be described by three broad categories of implementation of changes:

- Annual full country index reviews that systematically re-assess the various dimensions of the equity universe for all countries and are conducted on a fixed annual timetable;
- Quarterly index reviews, aimed at promptly reflecting other significant market events; and
- Ongoing event-related changes, such as mergers and acquisitions, which are generally implemented in the indices rapidly as they occur.

Potential changes in the status of countries (stand-alone, emerging, developed) follow their own separate timetables. These changes are normally implemented in one or more phases at the regular annual full country index review and quarterly index review dates.

The annual full country index review for all the MSCI Standard Country Indices is carried out once every 12 months and implemented as of the close of the last business day of May. The implementation of changes resulting from a quarterly index review occurs on only three dates throughout the year, as

of the close of the last business day of February, August, and November. Any country indices may be impacted at the quarterly index review. MSCI Index additions and deletions due to quarterly index rebalancings are announced at least two weeks in advance.

Index Holdings as of May 31, 2005. As of May 31, 2005, the iShares MSCI Belgium Index's top three holdings were Fortis, KBC Groupe, and Dexia. The Index's top three industries were Financials, Consumer Staples, and Utilities. The Index components had a total market capitalization of approximately \$120.2 billion. The average total market capitalization was approximately \$5.7 billion. The ten largest constituents represented approximately 87% of the Index weight. The five highest weighted stocks, which represented 66% of the Index weight, had an average daily trading volume in excess of 7.3 million shares during the past two months. All of the component stocks traded at least 55,000 shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI France Index's top three holdings were Total, Sanofi-Aventis, and BNP Paribas. The Index's top three industries were Financials, Energy, and Consumer Discretionary. The Index components had a total market capitalization of approximately \$829.2 billion. The average total market capitalization was approximately \$39.5 billion. The ten largest constituents represented approximately 58% of the Index weight. The five highest weighted stocks, which represented 42% of the Index weight, had an average daily trading volume in excess of 52.3 million shares during the past two months. All of the component stocks traded at least 475,000 shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI Italy Index's top three holdings were ENI, ENEL, and Assicurazioni Generali. The Index's top three industries were Financials, Energy, and Telecommunication Services. The Index components had a total market capitalization of approximately \$348.8 billion. The average total market capitalization was approximately \$16.6 billion. The ten largest constituents represented approximately 69% of the index weight. The five highest weighted stocks, which represented 51% of the Index weight, had an average daily trading volume in excess of 512.2 million shares during the past two months. All of the component stocks traded at least four million shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI Netherlands Index's top three holdings were Royal Dutch Petroleum Co., ING

¹³ All else being equal, MSCI targets for inclusion the most sizable and liquid securities in an industry group. In addition, securities that do not meet the minimum size guidelines discussed below and/or securities with inadequate liquidity are not considered for inclusion.

Groep, and ABN AMRO Holding. The Index's top three industries were Energy, Financials, and Consumer Staples. The Index components had a total market capitalization of approximately \$419.4 billion. The average total market capitalization was approximately \$20.0 billion. The ten largest constituents represented approximately 84% of the index weight. The five highest weighted stocks, which represented 68% of the Index weight, had an average daily trading volume in excess of 66.3 million shares during the past two months. All of the component stocks traded at least 950,000 shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI Spain Index's top three holdings were the Telefonica, BSCH BCO Santander Centr, and BBVA. Index's top three industries were Financials, Telecommunication Services, and Utilities. The Index components had a total market capitalization of approximately \$345.4 billion. The average total market capitalization was approximately \$16.4 billion. The ten largest constituents represented approximately 85% of the index weight. The five highest weighted stocks, which represented 69% of the Index weight, had an average daily trading volume in excess of 283.6 million shares during the past two months. All of the component stocks traded at least 2.1 million shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI Sweden Index's top three holdings were Ericsson (LM) B, Nordea Bank, and Hennes & Mauritz B. The Index's top three industries were Industrials, Financials, and Information Technology. The Index components had a total market capitalization of approximately \$215.0 billion. The average total market capitalization was approximately \$10.2 billion. The ten largest constituents represented approximately 61% of the index weight. The five highest weighted stocks, which represented 48% of the Index weight,

had an average daily trading volume in excess of 312.9 million shares during the past two months. All of the component stocks traded at least 750,000 shares in each of the previous six months.

As of May 31, 2005, the iShares MSCI Switzerland Index's top three holdings were Novartis, Nestle, and Roche Holding Genuss. The Index's top three industries were Health Care, Financials, and Consumer Staples. The Index components had a total market capitalization of approximately \$602.3 billion. The average total market capitalization was approximately \$28.7 billion. The ten largest constituents represented approximately 87% of the Index weight. The five highest weighted stocks, which represented 73% of the Index weight, had an average daily trading volume in excess of 41.4 million shares during the past two months. All of the component stocks traded at least 100,000 shares in each of the previous six months.

Correlation

According to the Funds' prospectus, BGFA expects that over time, the correlation between each Fund's performance and that of its underlying index, before fees and expenses, will be 95% or better. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called "tracking error." A fund using a representative sampling strategy (which all of the Funds utilize) can be expected to have a greater tracking error than a fund using a replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

The Funds have chosen to pursue a representative sampling strategy that, by its very nature, entails some risk of tracking error. (It should also be noted that Fund expenses, the timing of cash flows, and other factors all contribute to tracking error.) The Web site for the

Funds, <http://www.iShares.com>, contains detailed information on the performance and the tracking error for each Fund.¹⁴

The Funds investment objectives, policies, and investment strategies will be fully disclosed in the prospectus.¹⁵ The Funds' Board of Directors will review the tracking error of the Funds on a quarterly basis and based its review will consider whether any action may be appropriate.¹⁶

Industry Concentration Policy

As disclosed in the Funds' prospectus, each of the Underlying Indexes for the Funds will not concentrate its investments (*i.e.*, hold 25% or more of its total assets in the stocks of a particular industry or group of industries), except that, to the extent practicable, each Fund will concentrate to approximately the same extent that its underlying index concentrates in the stocks of such particular industry or group of industries.

Each Fund intends to maintain regulated investment company compliance, which requires, among other things, that, at the close of each quarter of the Fund's taxable year, not more than 25% of its total assets may be invested in the securities of any one issuer.

The Exchange believes that these requirements and policies prevent any Fund from being excessively weighted in any single security or small group of securities and significantly reduce concerns that trading in an Index Fund could become a surrogate for trading in a single or a few unregistered securities.

Issuance of Creation Units

iShares, Inc. will issue and redeem the shares of the Funds only in aggregations (each aggregation a "Creation Unit") of substantial size, which varies for the various Funds. The size of a Creation Unit for each Fund and estimated value of a Creation Unit for each Fund as of September 28, 2005 is as follows.¹⁷

	Shares per creation unit	Price per share	Est. value per creation unit
iShares MSCI Belgium	40,000	\$19.17	\$766,800
iShares MSCI France	200,000	26.12	5,224,000
iShares MSCI Italy	150,000	26.38	3,957,000
iShares MSCI Netherlands	50,000	19.15	957,500

¹⁴ The price at which the Funds' shares trade should be disciplined by arbitrage opportunities created by the ability to purchase or redeem shares of the Funds in Creation Unit (defined below) aggregations throughout the trading day. This should help ensure that the Funds' shares will not trade at a material discount or premium to their net asset value or redemption value.

¹⁵ Telephone conversation between David Hsu, Special Counsel, Division, and Michael Cavalier, Assistant General Counsel, NYSE, on October 20, 2005.

¹⁶ *Id.*

¹⁷ As noted, the MSCI Index methodology generally seeks to have represented 85% of the free float-adjusted market capitalization of a country's

stock market or regional market, which also makes it unlikely that the Funds will become a surrogate for trading a single or a few unregistered stocks. Electronic mail exchange between Florence Harmon, Senior Special Counsel, Division, John Carey, Assistant General Counsel, NYSE, on November 9, 2005.

	Shares per creation unit	Price per share	Est. value per creation unit
iShares MSCI Spain	75,000	37.50	2,812,500
iShares MSCI Sweden	75,000	22.10	1,657,500
iShares MSCI Switzerland	125,000	18.07	2,258,750

The number of shares of each Fund outstanding as of September 28, 2005 was 2.48 million (Belgium); 3.20 million (France); 1.65 million (Italy); 3.35 million (Netherlands); 1.88 million (Spain); 2.93 million (Sweden); and 4.50 million (Switzerland). These numbers exceed the minimum number of shares to be issued in connection with initial listing of the Funds on the Amex in 1996.¹⁸ A minimum of two Creation Units of the Funds were required to be outstanding at the time of initial listing on the Amex.

These number of shares outstanding also exceeds the 100,000 minimum number of shares required to be outstanding in connection with listing of ICUs Investment Company Units under Rule 19b-4(e) under the Act pursuant to the Exchange's generic listing standards in Section 703.16 of the Manual. In addition, the Exchange has required a minimum number of 100,000 shares of ICUs to be outstanding in connection with initial listing of iShares FTSE/Xinhua China 25 Index Fund, which the Commission noted is comparable to requirements previously applied to listed series of ICUs.¹⁹

The consideration for purchase of a Creation Unit of shares of a Fund generally consists of the in-kind deposit of a designated portfolio of equity securities (the "Deposit Securities") constituting an optimized representation of the Fund's benchmark foreign securities index and an amount of cash computed as described below (the "Cash Component"). Together, the Deposit Securities and the Cash Component constitute the "Portfolio Deposit," which represents the minimum initial and subsequent investment amount for shares of a Fund. The Cash Component is an amount equal to the Dividend Equivalent Payment (as defined below), plus or minus, as the case may be, a Balancing Amount (as defined below). The deposit of the requisite Deposit Securities and the Balancing Amount are collectively referred to herein as a "Fund Deposit." The "Dividend Equivalent Payment" enables iShares, Inc. to make a complete

distribution of dividends on the next dividend payment date, and is an amount equal, on a per Creation Unit basis, to the dividends on all the Securities held by the relevant Fund with ex-dividend dates within the accumulation period for such distribution (the "Accumulation Period"), net of expenses and liabilities for such period, as if all of the Portfolio Securities had been held by iShares, Inc. for the entire Accumulation Period. The "Balancing Amount" is an amount equal to the difference between (x) the NAV (per Creation Unit) of the Fund and (y) the sum of (i) the Dividend Equivalent Payment and (ii) the market value (per Creation Unit) of the securities deposited with iShares, Inc. (the sum of (i) and (ii) is referred to as the "Deposit Amount"). The Balancing Amount serves the function of compensating for any differences between the net asset value per Creation Unit and the Deposit Amount.

BGFA makes available through the National Securities Clearing Corporation ("NSCC") on each Business Day, prior to the opening of business on the NYSE (currently 9:30 a.m., Eastern time),²⁰ the list of the names and the required number of shares of each Deposit Security to be included in the current Portfolio Deposit (based on information at the end of the previous Business Day) for each Fund. Such Portfolio Deposit is applicable, subject to any adjustments as described below, in order to effect purchases of Creation Units of iShares of a given Fund until such time as the next announced Portfolio Deposit composition is made available.

The identity and number of shares of the Deposit Securities required for a Portfolio Deposit for each Fund changes as rebalancing adjustments and corporate action events are reflected from time to time by BGFA with a view to the investment objective of the Fund. The composition of the Deposit Securities may also change in response to adjustments to the weighting or

composition of the securities constituting the relevant securities index.

In addition, iShares, Inc. reserves the right to permit or require the substitution of an amount of cash (*i.e.*, a "cash in lieu" amount) to be added to the Cash Component to replace any Deposit Security which may not be available in sufficient quantity for delivery or for other similar reasons. The adjustments described above will reflect changes, known to BGFA on the date of announcement to be in effect by the time of delivery of the Portfolio Deposit, in the composition of the subject index being tracked by the relevant Fund, or resulting from stock splits and other corporate actions. Thus, in addition to the list of names and numbers of securities constituting the current Deposit Securities of a Portfolio Deposit, on each Business Day prior to the opening of the market, NSCC will make available the estimated Cash Component effective through and including the previous Business Day, per outstanding iShares of each Fund.

Creation Units of shares may be purchased only by or through a Depository Trust Company ("DTC") Participant that has entered into an Authorized Participant agreement with the Distributor ("Authorized Participant"). Authorized Participants must submit an irrevocable Creation Unit request before 4 p.m. (Eastern time) on any business day in order to receive that business day's NAV (and applicable Cash Component). Such Authorized Participant will agree pursuant to the terms of such Authorized Participant Agreement on behalf of itself or any investor on whose behalf it will act, as the case may be, to certain conditions, including that such Authorized Participant will make available in advance of each purchase of iShares an amount of cash sufficient to pay the Cash Component, once the net asset value of a Creation Unit is next determined after receipt of the purchase order in proper form, together with the transaction fee. A purchase transaction fee payable to iShares, Inc. is imposed to compensate iShares, Inc. for the transfer and other transaction costs of a Fund associated with the issuance of Creation Units. The fee ranges from \$700 to \$2,900 for the Funds.

¹⁸ See Securities Exchange Act Release No. 36947 (March 8, 1996) 61 FR 10606 (March 14, 1996) (SR-Amex-95-43).

¹⁹ See Securities Exchange Act Release No. 50505 (October 8, 2004), 69 FR 61280 (October 15, 2004) (SR-NYSE-2004-55), note 51.

²⁰ Usually, NSCC disseminates the estimated Portfolio Securities and Cash Amount (see below) between 6 p.m. and 8 p.m. (Eastern time) on the prior business day for both creation and redemption requests placed the following day. Telephone conversation between Florence Harmon, Senior Special Counsel, Division, and Michael Cavalier, Assistant General Counsel, NYSE, on November 20, 2005.

Redemption of Creation Units

Shares of a Fund may be redeemed only in Creation Units at their net asset value, NAV, next determined after receipt of a redemption request in proper form by the Distributor.

With respect to each Fund, BGFA makes available through the NSCC immediately prior to the opening of business on the NYSE (currently 9:30 a.m., Eastern time) on each business day, the Portfolio Securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day. Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit generally consist of Deposit Securities as announced by BGFA through the NSCC on the Business Day of the request for redemption, plus cash in an amount equal to the difference between the NAV of the shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Deposit Securities, less the redemption transaction fee. The redemption transaction fee is deducted from such redemption proceeds. A redemption transaction fee payable to iShares, Inc. is imposed to offset transfer and other transaction costs that may be incurred by the relevant Fund, including market impact expenses relating to disposing of portfolio securities. This fee ranges from \$700 to \$2,900 for the Funds.

Redemption requests in respect of Creation Units of any Fund must be submitted to the Distributor by or through an Authorized Participant. For most Funds, an Authorized Participant must submit an irrevocable redemption request before 4 p.m. (Eastern time) on any business day in order to receive that business day's NAV (and applicable Cash Component).

Owners of iShares may sell them in the secondary market, but, in order to redeem the shares through the Funds, an owner must accumulate enough shares to constitute a creation unit.²¹

Availability of Information Regarding iShares and the Underlying Indexes

The MSCI Indexes are calculated by MSCI for each trading day in the applicable foreign exchange markets based on official closing prices in such exchange markets.²² For each trading

day, MSCI publicly disseminates the Index values for the previous day's close. The Index values are reported periodically in major financial publications and also are available through vendors of financial information. For all of the Funds, MSCI or third-party major market data vendors now makes available at least every 60 seconds an updated index value for the Indexes when foreign trading market hours overlap with the NYSE trading hours of 9:30 a.m. to 4:15 p.m. Eastern Time. Otherwise, when the foreign market is closed during NYSE trading hours, the Funds provide closing index values on <http://www.ishares.com>.²³

iShares, Inc. will cause to be made available daily the names and required number of shares of each of the securities to be deposited in connection with the issuance of the Funds' shares in Creation Unit size aggregations for the Funds, as well as information relating to the required cash payment representing, in part, the amount of accrued dividends for the Funds. This information will be made available to the Funds' Advisor and to any NSCC participant requesting such information. In addition, other investors can request such information directly from the Funds' distributor. The NAV for the Funds is calculated directly by the Fund administrator (IBT) once a day, generally at 4 p.m., Eastern Time.²⁴ The NAV will also be available to the public on <http://www.iShares.com>, from the Fund distributor by means of a toll-free number, and to NSCC participants through data made available from the NSCC.

To provide current pricing information for the Funds, there will be disseminated through the facilities of the Consolidated Tape Association

such as iShares is based, the broker-dealer or its affiliate should have procedures designed specifically to address the improper sharing of information. See, Securities Exchange Act Release No. 52178, July 29, 2005; 70 FR 46244, August 8, 2005; (SR-NYSE-2005-41). The Exchange notes that MSCI has implemented procedures to prevent the misuse of material, non-public information regarding changes to component stocks in the MSCI Indexes. The Commission has stated that it believes that the information barrier procedures put in place by MSCI address the unauthorized transfer and misuse of material, non-public information. Electronic mail exchange between Florence Harmon, Senior Special Counsel, Division, John Carey, Assistant General Counsel, NYSE, on November 9, 2005.

²³ Electronic mail exchange between Florence Harmon, Senior Special Counsel, Division, John Carey, Assistant General Counsel, NYSE, on November 9, 2005.

²⁴ Electronic mail exchange between Florence Harmon, Senior Special Counsel, Division, John Carey, Assistant General Counsel, NYSE, on November 9, 2005.

("CTA") an amount per iShare representing the sum of the estimated Balancing Amount effective through and including the previous business day plus the current value of the Deposit Securities in U.S. Dollars, on a per iShare basis. This amount is referred to herein as the "indicative optimized portfolio value" (the "IOPV") and will be calculated by an independent third party such as Bloomberg L.P. The IOPV will be disseminated every 15 seconds during regular NYSE trading hours of 9:30 a.m. to 4:15 p.m. (New York time). Because the Funds utilize a representative sampling strategy, the IOPV likely will not reflect the value of all securities included in the applicable indexes. In addition, the IOPV will not necessarily reflect the precise composition of the current portfolio of securities held by the Funds at a particular moment. The IOPV disseminated during NYSE trading hours should not be viewed as a real-time update of the NAV of the Funds, which is calculated only once a day. It is expected, however, that during the trading day the IOPV will closely approximate the value per share of the portfolio of securities for the Funds except under unusual circumstances.

For each of the Funds, there is an overlap in trading hours between the foreign and U.S. markets. Therefore, the IOPV calculator will update the applicable IOPV every 15 seconds to reflect price changes in the applicable foreign market or markets, and convert such prices into U.S. dollars based on the currency exchange rate. When the foreign market or markets are closed but U.S. markets are open, the IOPV will be updated every 15 seconds to reflect changes in currency exchange rates after the foreign market closes. The IOPV will also include the applicable cash component for each Fund.

There will also be disseminated a variety of data with respect to the Fund on a daily basis by means of CTA and CQ High Speed Lines, which will be made available prior to the opening of trading on the Exchange. Information with respect to recent NAV, shares outstanding, estimated cash amount and total cash amount per Creation Unit Aggregation will be made available prior to the opening of the Exchange. In addition, the Web site for the Funds, which will be publicly accessible at no charge, will contain the following information, on a per iShare basis, for the Funds: (i) The prior business day's NAV and the mid-point of the bid-ask price at the time of calculation of such

²¹ Telephone conversation between David Hsu, Special Counsel, Division, and Michael Cavalier, Assistant General Counsel, NYSE, on October 20, 2005.

²² As the Commission has previously stated, when a broker-dealer, or a broker-dealer's affiliate such as MSCI, is involved in the development and maintenance of a stock index upon which a product

NAV ("Bid/Ask Price")²⁵ and a calculation of the premium or discount of such price against such NAV; and (ii) data in chart format displaying the frequency distribution of discounts and premiums of the Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters.

The closing prices of the Funds' Deposit Securities are readily available from, as applicable, the relevant exchanges, automated quotation systems, published or other public sources in the relevant country, or online information services such as Bloomberg or Reuters. The exchange rate information required to convert such information into U.S. dollars is also readily available in newspapers and other publications and from a variety of on-line services. The Exchange believes that dissemination of the IOPV based on the Deposit Securities provides additional information regarding the Funds that is not otherwise available to the public and is useful to professionals and investors in connection with trading shares of the Funds on the Exchange or the creation or redemption of Fund shares.

Dividends and Distributions

Dividends from net investment income, including any net foreign currency gains, are accrued and declared and paid at least annually and any net realized securities gains are distributed at least annually. In order to improve tracking error or comply with distribution requirements of the Code, dividends may be declared more frequently than annually for certain Funds. The final dividend amount is also disseminated by the Funds to Bloomberg and other sources. The Funds will not make the DTC book-entry Dividend Reinvestment Service (the "Service") available for use by beneficial owners for reinvestment of their cash proceeds but certain individual brokers may make the Service available to their clients.

Beneficial owners of iShares will receive all of the statements, notices, and reports required under the Investment Company Act and other applicable laws. They will receive, for example, annual and semi-annual reports, written statements accompanying dividend payments, proxy statements, annual notifications detailing the tax status of distributions, Internal Revenue Service Form 1099—

DIVs, etc. Because iShares Inc.'s records reflect ownership of iShares by DTC only, iShares, Inc. will make available applicable statements, notices, and reports to the DTC Participants who, in turn, will be responsible for distributing them to the beneficial owners.

Other Issues

Information Memo. The Exchange will distribute an Information Memo ("Information Memo") to its members in connection with the trading of the Funds. The Information Memo will discuss the special characteristics and risks of trading this type of security. Specifically, the Information Memo, among other things, will discuss what the Funds are, how they are created and redeemed, requirements regarding delivery of a prospectus or Product Description by members and member firms to investors purchasing shares of the Fund prior to or concurrently with the confirmation of a transaction, applicable Exchange rules, dissemination information, trading information and the applicability of suitability rules (including NYSE Rule 405). The Information Memo will also discuss exemptive, no-action and interpretive relief granted by the Commission from section 11(d)(1) and certain rules under the Act, including Rule 10a-1, Rule 10b-10, Rule 14e-5, Rule 10b-17, Rule 11d1-2, Rules 15c1-5 and 15c1-6, and Rules 101 and 102 of Regulation M under the Act.

Purchases and Redemptions in Creation Unit Size. In the Information Memo referenced above, members and member organizations will be informed that procedures for purchases and redemptions of iShares in Creation Unit size are described in the Fund prospectus and SAI, and that iShares are not individually redeemable but are redeemable only in Creation Unit size aggregations or multiples thereof.

Original and Annual Listing Fees. The original listing fee applicable to each Fund for listing on the Exchange is \$5,000, and the continuing fee would be \$2,000 for each Fund, paid annually.

Stop and Stop Limit Orders. Commentary .30 to Exchange Rule 13 provides that stop and stop limit orders in an ICU shall be elected by a quotation, but specifies that if the electing bid or an offer is more than 0.10 points away from the last sale and is for the specialist's dealer account, prior Floor Official approval is required for the election to be effective. This rule applies to ICUs generally.

Exchange Rule 460.10. Exchange Rule 460.10 generally precludes certain business relationships between an issuer and the specialist (or its affiliate)

in the issuer's securities. Exceptions in Exchange Rule 460.10 permit specialists in Fund shares to enter into Creation Unit transactions through the Distributor to facilitate the maintenance of a fair and orderly market. A specialist Creation Unit transaction may only be effected on the same terms and conditions as any other investor, and only based on the net asset value of the Fund shares. A specialist (or its affiliate) may acquire a position in excess of 10% of the outstanding issue of the Fund shares, provided, however, that a specialist registered in a security issued by an investment company may purchase and redeem the investment company unit or securities that can be subdivided or converted into such unit, from the investment company as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

Trading Hours and Trading Increment. The trading hours for the Funds on the Exchange will be 9:30 a.m. to 4:15 p.m. The minimum trading increment is \$0.01.

Due Diligence/Suitability. The Exchange represents that the Memo to members will note, for example, Exchange responsibilities including that before an Exchange member, member organization, or employee thereof recommends a transaction in the Funds, a determination must be made that the recommendation is in compliance with all applicable Exchange and Federal rules and regulations, including due diligence obligations under Exchange Rule 405 (Diligence as to Accounts).

Trading Halts. In order to halt the trading of the Fund, the Exchange may consider, among other things, factors such as the extent to which trading is not occurring in underlying security(s) and whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Fund shares is subject to trading halts caused by extraordinary market volatility pursuant to Exchange Rule 80B. The Exchange will halt trading in a Fund if the Index value or IOPV applicable to such Fund is no longer calculated or disseminated.²⁶

Prospectus or Product Description Delivery. The Commission has granted iShares, Inc. an exemption from certain

²⁵ The Bid-Ask Price of the Funds is determined using the highest bid and lowest offer on the Exchange as of the time of calculation of the Funds' NAV.

²⁶ In the event an Index value or IOPV is no longer calculated or disseminated, the Exchange would immediately contact the Commission to discuss appropriate measures that may be appropriate under the circumstances. Telephone conversation between Florence Harmon, Senior Special Counsel, Division, and Michael Cavalier, Assistant General Counsel, NYSE, on November 20, 2005.

prospectus delivery requirements under section 24(d)²⁷ of the Investment Company Act.²⁸ Any product description used in reliance on a section 24(d) exemptive order will comply with all representations made therein and all conditions thereto. The Exchange, in a information memo to Exchange members and member organizations, will inform members and member organizations, prior to commencement of trading, of the prospectus or product description delivery requirements applicable to the Funds and will refer members and member organizations to Exchange Rule 1100(b). The information memo will also advise members and member organizations that delivery of a prospectus to customers in lieu of a product description would satisfy the requirements of Exchange Rule 1100(b).

Surveillance Procedures

The Exchange will utilize its existing surveillance procedures applicable to ICUs to monitor trading in the Funds. The Exchange believes that these procedures are adequate to monitor Exchange trading of the Funds.

Exchange surveillance procedures applicable to trading in iShares are comparable to those applicable to other ICUs currently trading on the Exchange. The Exchange's surveillance procedures, which the Exchange has filed with the Commission, are adequate to properly monitor the trading of the Funds. 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 both the Fund shares and the component securities through NYSE members in connection with such members' proprietary or customer trades that they effect on any relevant market. In addition, the Exchange may obtain trading information via the Intermarket Surveillance Group ("ISG") from other exchanges who are members or affiliates of the ISG.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b)(5) of the Act²⁹ requiring that an exchange have rules that are designed, among other things, 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.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes that the proposed rule change does not 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. 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-NYSE-2005-70 on the subject line.

Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-9303.

All submissions should refer to File Number SR-NYSE-2005-70. 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 inspection and copying in the Commission's Public Reference Room. 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-NYSE-2005-70 and should be submitted on or before December 20, 2005.

IV. Commission Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder, applicable to a national securities exchange.³⁰ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act³¹ and will promote just and equitable principles of trade, and facilitate transactions in securities, and, in general, protect investors and the public interest. The Commission believes that the Exchange's listing standards, trading rules, suitability and disclosure rules for the Funds are consistent with the Act. The Commission also believes that the proposed rule change raises no issues that have not been previously considered by the Commission. The Commission notes that it previously approved the original listing and trading of the Funds on the Amex.³² Further, with respect to each of the following key issues, the Commission believes that the Funds satisfy established standards.

A. Surveillance

The Commission notes that the Underlying Indexes are broad-based and are composed of securities having significant trading volumes and market capitalization, thus impeding improper trading practices in the Shares, the ability to use the Shares to manipulate the underlying securities, and the ability to use the Shares as a surrogate to trade one or a few unregistered securities. Nevertheless, the NYSE represents that its surveillance procedures applicable to trading in the proposed iShares are adequate to properly monitor the trading of the Funds. The Exchange also is able to obtain information regarding

³⁰ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³¹ 15 U.S.C. 78f(b)(5).

³² See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996) (SR-Amex-95-43).

²⁷ 15 U.S.C. 80a-24(d).

²⁸ See *In the Matter of iShares, Inc., et al.*, Investment Company Act Release No. 25623 (June 25, 2002).

²⁹ 15 U.S.C. 78f(b)(5).

trading in both the Fund shares and the Component Securities by its members on any relevant market; in addition, the Exchange may obtain trading information via the ISG from other exchanges who are members or affiliates of the ISG.

As stated, when a broker-dealer, or a broker-dealer's affiliate such as MSCI, is involved in the development and maintenance of a stock index upon which a product such as iShares is based, the broker-dealer or its affiliate should have procedures designed specifically to address the improper sharing of information. The Commission notes that the Exchange has represented that MSCI has implemented procedures to prevent the misuse of material, non-public information regarding changes to component stocks in the MSCI Indices.

B. Dissemination of Information about the Shares

In approving the Funds for listing and trading on the NYSE, the Commission notes that the Underlying Indexes are broad-based indexes. If there is an overlap between the foreign jurisdiction and the NYSE trading hours, these index values are disseminated through various main market data vendors at least every 60 seconds during such overlap in trading hours. Otherwise, the Funds provide the Index closing value at <http://www.iShares.com>.

Additionally, the Commission notes that the Exchange will disseminate through the facilities of CTA during NYSE trading hours at least every 15 seconds a calculation of the IOPV (which will reflect price changes in the applicable foreign market and changes in currency exchange rates), along with an updated market value of the Shares. Comparing these two figures will help investors to determine whether, and to what extent, the Shares may be selling at a premium or discount to NAV and thus will facilitate arbitrage of the Shares in relation to the Index component securities.

The Commission also notes that the Web site for the Funds (<http://www.iShares.com>), which is and will be publicly accessible at no charge, will contain the Shares' prior business day NAV, the reported closing price, and a calculation of the premium or discount of such price in relation to the closing NAV.

C. Listing and Trading

The Commission finds that the Exchange's rules and procedures for the proposed listing and trading of the Funds are consistent with the Act. Shares of the Funds will trade as equity securities subject to NYSE rules

including, among others, rules governing trading halts, specialist activities, stop and stop limit orders, prospectus delivery, and customer suitability requirements. In addition, the Funds will be subject to NYSE listing and delisting/halt rules and procedures governing the trading of Index Fund Shares on the Exchange. The Commission believes that listing and delisting criteria for the Shares should help to maintain a minimum level of liquidity and therefore minimize the potential for manipulation of the Shares. Finally, the Commission believes that the Information Memo the Exchange will distribute will inform members and member organizations about the terms, characteristics, and risks in trading the Shares, including suitability and prospectus delivery requirements.

D. Accelerated Approval

The Commission finds good cause, pursuant to section 19(b)(2) of the Act,³³ for approving the proposed rule change prior to the thirtieth day after the date of publication of notice in the **Federal Register**. The Commission notes that the proposal is consistent with the listing and trading standards in NYSE Rule 703.16 (ICUs), and the Commission has previously approved the listing of these securities on the Amex.³⁴ In addition, the Commission finds that this proposal is similar to several instruments currently listed and traded on the exchange.³⁵ Therefore, the Commission does not believe that the proposed rule change raises issues that have not been previously considered by the Commission.

V. Conclusion

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act,³⁶ that the proposed rule change (SR-NYSE-2005-70), is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁷

Jonathan G. Katz,
Secretary.

[FR Doc. E5-6626 Filed 11-28-05; 8:45 am]

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³³ 15 U.S.C. 78s(b)(2).

³⁴ See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996) (approving the listing and trading of the ICUs for trading on the Amex).

³⁵ See, e.g., Securities Exchange Act Release No. 52178 (July 29, 2005), 70 FR 46244, (August 9, 2005) (SR-NYSE-2005-41).

³⁶ 15 U.S.C. 78s(b)(2).

³⁷ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52822; File No. SR-NYSE-2005-02]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Approving Proposed Rule Change and Amendments Nos. 1, 2 and 3 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 4 to the Proposed Rule Change Relating to Exchange Rule 607

November 22, 2005.

I. Introduction

On January 4, 2005, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") 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 amending Exchange Rule 607 concerning the procedures for the appointment of arbitrators to arbitration cases administered by the NYSE. On May 12, 2005, the NYSE filed Amendment No. 1 to the proposed rule change ("Amendment No. 1").³ On May 13, 2005, the NYSE filed Amendment No. 2 to the proposed rule change ("Amendment No. 2").⁴ On June 16, 2005, the NYSE filed Amendment No. 3 to the proposed rule change (Amendment No. 3).⁵ The proposed rule change was published for comment in the **Federal Register** on June 23, 2005.⁶ The Commission received four comments on the proposal, as amended.⁷ On November 10, 2005, the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 was filed and withdrawn by the NYSE on May 12, 2005.

⁴ See Amendment No. 2. Amendment No. 2 supplemented the initial filing.

⁵ See Amendment No. 3. Amendment No. 3 supplemented the initial filing and modified certain statements in Amendment No. 2.

⁶ See Exchange Act Release No. 51863 (June 16, 2005), 70 FR 36451 (June 23, 2005) (the "Notice").

⁷ See Letters from Robert S. Clemente, Of Counsel, Liddle and Robinson, to Jonathan G. Katz, dated February 3, 2005 and July 7, 2005 ("Clemente Letters"); Letter from Rosemary J. Shockman, President, Public Investors Arbitration Bar Association, to Jonathan G. Katz, dated July 14, 2005 ("Shockman Letter"); and Letter from Richard P. Ryder, President, Securities Arbitration Commentator, Inc. to Jonathan G. Katz, dated July 15, 2005 ("Ryder Letter"). Mr. Clemente filed two letters in response to the filing, the first of which was received after filing of the proposed rule change but before publication in the **Federal Register**. Mr. Clemente submitted a second letter, similar to the first, after the proposed rule change was noticed in the **Federal Register**, and attached the first letter to the second.