

proposed NASD monthly reporting requirement are consistent with the NYSE's current program.<sup>9</sup>

### III. Summary of Comment Received and NASD Response

The Commission received one comment letter to the proposed rule change.<sup>10</sup> The commenter stated that the proposed monthly reporting requirement would place an undue burden on self-clearing firms and requested that NASD amend the proposed rule to clarify that the monthly reporting requirement applies solely to clearing firms which clear for other broker-dealers. In its response, NASD stated that it did not intend for the proposed monthly reporting requirement to apply to self-clearing firms that do not clear for other broker-dealers, and that the proposed rule would not require these self-clearing firms to file the monthly report.<sup>11</sup> Finally, NASD stated that it will reiterate this position in the *Notice to Members* announcing Commission approval of the proposed rule.

### IV. Discussion and Commission Findings

The Commission has reviewed the proposed rule filing, as amended, and finds that the proposed rule change, as amended, is consistent with the requirements of the Exchange Act, and, in particular, Section 15A(b)(6) of the Act,<sup>12</sup> which requires, among other things, that NASD's rules must 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. The Commission believes that the proposed rule change will further assist NASD in ensuring that firms are complying with financial responsibility rules and preventing the excessive use of credit for the purchase or carrying of securities.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change (File No. SR-

NASD-2006-064), as amended, be, and it hereby is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

Nancy M. Morris,  
Secretary.

[FR Doc. 06-8239 Filed 9-25-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54473; File No. SR-NYSEArca-2006-60]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Trading Shares of iShares® S&P Global Index Funds Pursuant to Unlisted Trading Privileges

September 20, 2006.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 14, 2006, NYSE Arca, Inc. ("Exchange"), through its wholly owned subsidiary NYSE Arca Equities, Inc. ("NYSE Arca Equities" or the "Corporation"), 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.

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

The Exchange proposes to trade shares ("Shares") of the following five funds of the iShares® Trust (the "Trust"): iShares S&P Global Consumer Discretionary Sector Index Fund, iShares S&P Global Consumer Staples Sector Index Fund, iShares S&P Global Industrials Sector Index Fund, iShares S&P Global Utilities Sector Index Fund and iShares S&P Global Materials Sector Index Fund (the "Funds") pursuant to unlisted trading privileges ("UTP") under NYSE Arca Equities Rule 5.2(j)(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

Under NYSE Arca Equities Rule 5.2(j)(3), the Exchange may propose to list or trade pursuant to UTP "Investment Company Units."<sup>3</sup> The Commission previously approved a proposal to list and trade the Shares of the Funds by the New York Stock Exchange, LLC ("NYSE").<sup>4</sup> The Exchange proposes to trade pursuant to UTP the Shares of the Funds under NYSE Arca Equities Rule 5.2(j)(3).<sup>5</sup> Because the Funds invest in non-U.S. securities not listed on a national securities exchange or the Nasdaq Stock Market ("Nasdaq"), the Funds do not meet the "generic" listing requirements

<sup>3</sup>In October 1999, the Commission approved NYSE Arca Equities Rule 5.2(j)(3), which sets forth the rules related to listing and trading criteria for Investment Company Units. See Securities Exchange Act Release No. 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-1998-29). In July 2001, the Commission also approved the Exchange's generic listing standards for listing and trading, or the trading pursuant to UTP, of Investment Company Units under NYSE Arca Equities Rule 5.2(j)(3). See Securities Exchange Act Release No. 44551 (July 12, 2001), 66 FR 37716-01 (July 19, 2001) (SR-PCX-2001-14). The definition of an Investment Company Unit is set forth in NYSE Arca Equities Rule 5.1(b)(15), which provides that an Investment Company Unit is a security representing an interest in a registered investment company that could be organized as a unit investment trust, an open-end management investment company or a similar entity.

<sup>4</sup>See Securities Exchange Release No. 54458 (September 15, 2006) (SR-NYSE-2006-60) (the "NYSE Proposal").

<sup>5</sup>NYSE Arca Equities Rule 5.2(j)(3)(A)(i)(a) allows the listing and trading of Investment Company Units issued by a registered investment company that holds securities comprising, or otherwise based on or representing an interest in, an index or portfolio or securities. The Trust is registered under the Investment Company Act of 1940 (15 U.S.C. 80a) (the "Investment Company Act"). On April 15, 2005, the Trust filed with the Commission a Registration Statement for the Funds on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the Investment Company Act relating to the Funds (File Nos. 333-92935 and 811-09729).

<sup>9</sup>See Exchange Act Release No. 28726 (December 28, 1990), 56 FR 540 (January 7, 1991) (SR-NYSE-89-24); and NYSE Information Memoranda 98-09 (March 5, 1998) and 94-22 (June 10, 1994); see also NYSE Information Memorandum 05-78 (October 12, 2005).

<sup>10</sup>See *supra* note 5.

<sup>11</sup>See *supra* note 6.

<sup>12</sup>15 U.S.C. 78o-3(b)(6). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup>15 U.S.C. 78s(b)(2).

<sup>14</sup>17 CFR 200.30-3(a)(12).

<sup>15</sup>15 U.S.C. 78s(b)(1).

<sup>2</sup>17 CFR 240.19b-4.

of NYSE Arca Equities Rule 5.2(j)(3), which permit listing and trading of Investment Company Units in reliance upon Rule 19b-4(e) under the Act.<sup>6</sup> Therefore, to trade the Funds pursuant to UTP, the Exchange must file, and obtain Commission approval of, a proposed rule change pursuant to Rule 19b-4 under the Act.<sup>7</sup>

The Shares represent beneficial ownership interests in the net assets of the Funds, less expenses. As set forth in detail in the NYSE Proposal, the Funds will hold certain securities ("Component Securities") selected to correspond generally to the performance of the following indexes, respectively: (1) S&P Global Consumer Discretionary Index; (2) S&P Global Consumer Staples Index; (3) S&P Global Industrials Index; (4) S&P Global Utilities Index; and (5) S&P Global Materials Index (each an "Underlying Index; collectively, the "Underlying Indexes"). Each of the Underlying Indexes is a subset of the Standard & Poor's Global 1200 Index. The Underlying Indexes are free float adjusted and market capitalization weighted.

The investment objective of the Funds will be to provide investment results that correspond generally to the price and yield performance of the Underlying Indexes. In seeking to achieve their investment objective, the Funds will utilize "passive" indexing investment strategies. The Funds may fully replicate their respective Underlying Index, but currently intend to use a "representative sampling" strategy to track the applicable Underlying Index. A Fund utilizing a representative sampling strategy generally will hold a basket of the Component Securities of its Underlying Index, but it may not hold all of the Component Securities of its Underlying Index.

Each Fund will invest at least 90% of its assets in the securities of its Underlying Index or in American Depositary Receipts ("ADRs"), Global Depositary Receipts, or European Depositary Receipts (collectively "Depositary Receipts") representing securities in the Underlying Index. A Fund may invest the remainder of its assets in securities not included in its Underlying Index, but which Barclays Global Fund Advisors (the "Advisor") believes will help the Fund track its Underlying Index. For example, a Fund may invest in securities not included in its Underlying Index in order to reflect various corporate actions (such as mergers) and other changes in its

Underlying Index (such as reconstitutions, additions and deletions). A Fund also may invest its other assets in futures contracts, options on futures contracts, options, and swaps related to its Underlying Index, as well as cash and cash equivalents, including shares of money market funds affiliated with the Advisor.

To the extent the Funds invest in ADRs, such ADRs will be listed on a national securities exchange or Nasdaq, and to the extent the Funds invest in other Depositary Receipts, such Depositary Receipts will be listed on a foreign exchange. The Funds will not invest in any listed or unlisted Depositary Receipts that the Advisor deems to be illiquid or for which pricing information is not readily available. In addition, all Depositary Receipts must be sponsored (with the exception of certain pre-1984 ADRs that are listed and unsponsored because they are grandfathered).

Each Fund 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 a Fund will concentrate to approximately the same extent that its Underlying Index concentrates in the stocks of such particular industry or group of industries. In such case, a Fund could hold 25% or more of its total assets in the stocks of such industry or group of industries. For purposes of this limitation, securities of the U.S. Government (including its agencies and instrumentalities), repurchase agreements collateralized by U.S. Government securities, and securities or state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

(a) *The Shares*

A description of the Trust, the operation of the Funds and the creation and redemption process for the Shares is set forth in the NYSE Proposal. To summarize, issuances of Shares will be made only in aggregations of at least 50,000 Shares or multiples thereof ("Creation Units" or "Creation Unit Aggregations"). The Funds will issue and redeem the Shares on a continuous basis, by or through participants that have entered into participant agreements (each, an "Authorized Participant")<sup>8</sup> with SEI Investments Distribution Co. (the "Distributor").

<sup>8</sup> An Authorized Participant must be either a "Participating Party", *i.e.*, a broker-dealer or other participant in the clearing process through the National Securities Clearing Corporation ("NSCC") Continuous Net Settlement System, a clearing agency that is registered with the Commission, or

Persons purchasing Creation Unit Aggregations from the Funds do so through an "in-kind" process in which a basket of securities (the "Deposit Securities"), together with an amount of cash (the "Balancing Amount"), plus the applicable transaction fee, is deposited with the Fund.<sup>9</sup> A redeeming Authorized Participant deposits Fund Shares in Creation Unit Aggregations generally in exchange for a basket of securities (the "Fund Securities") and a balancing cash payment ("Cash Redemption Payment").<sup>10</sup> The redeeming Authorized Participant must pay a transaction fee to the Fund. Fund Securities received on redemption may not be identical to Deposit Securities deposited in connection with creations of Creation Unit Aggregations for the same day.

The NAV of each Fund is calculated by Investors Bank & Trust Company ("IBT"). IBT determines the NAV at the close of regular trading of the NYSE (ordinarily 4 p.m. New York time) on each day that the NYSE is open for trading. The NAV for each Fund is computed by dividing the value of the net assets of such Fund (*i.e.*, the value of its total assets less total liabilities) by its total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. More information regarding the calculation of the NAV is set forth in the NYSE Proposal.

(b) *Availability of Information About the Shares and the Underlying Indexes*

On each business day the list of names and amount of each security constituting the current Deposit Securities of the Fund Deposit and the Balancing Amount effective as of the previous business day, per outstanding Share of each Fund, will be made available. According to the NYSE Proposal, an amount per Share 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 Share

a Depositary Trust Company ("DTC") participant, and in each case, must enter into a Participant Agreement.

<sup>9</sup> The Trust 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 Balancing Amount to replace any Deposit Security that may not be available in sufficient quantity or that may not otherwise be eligible for transfer.

<sup>10</sup> The Trust may also make redemptions in cash in lieu of transferring one or more Fund Securities to a redeemer if the Trust determines, in its discretion, that such method is warranted due to unusual circumstances (*e.g.*, when a redeeming entity is restrained by regulation or policy from transacting in certain Fund Securities, such as the presence of Fund Securities on a redeeming investment banking firm's restricted list).

<sup>6</sup> 17 CFR 240.19b-4(e); 15 U.S.C. 78s(b)(4).

<sup>7</sup> *Id.*

basis (the "Intra-day Optimized Portfolio Value" or "IOPV") will be calculated by an independent third party that is a major market data vendor (the "Value Calculator"), such as Bloomberg L.P., every 15 seconds from 9:30 a.m. to 4:15 p.m. Eastern Time ("ET") and disseminated every 15 seconds on the Consolidated Tape.

The IOPV reflects the current value of the Deposit Securities and the Balancing Amount. The IOPV also reflects changes in currency exchange rates between the U.S. dollar and the applicable home foreign currency.<sup>11</sup>

Since the Funds will utilize a representative sampling strategy, the IOPV may not reflect the value of all securities included in the Underlying Indexes. In addition, the IOPV does not necessarily reflect the precise composition of the current portfolio of securities held by the Funds at a particular point in time. Therefore, the IOPV on a per Share basis should not be viewed as a real time update of the NAV of the Funds, which is calculated only once a day.

While the IOPV disseminated at 9:30 a.m. is expected to be generally very close to the most recently calculated Fund NAV on a per Share basis, it is possible that the value of the portfolio of securities held by each Fund may diverge from the Deposit Securities values during any trading day. In such case, the IOPV will not precisely reflect the value of each Fund's portfolio. However, during the trading day, the IOPV can be expected to closely approximate the value per Share of the portfolio of securities for each Fund except under unusual circumstances (e.g., in the case of extensive rebalancing of multiple securities in a Fund at the same time by the Advisor).

There is an overlap in trading hours between the foreign and U.S. markets with respect to the Funds. Therefore, the Value 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.

In addition, a value for the Underlying Indexes will be

disseminated once each trading day, based on closing prices in the relevant exchange market, utilizing the currency exchange rates of WM/Reuters (or another major market data vendor). In each Underlying Index, the prices used to calculate the Underlying Indexes are the official exchange closing prices or those figures accepted as such. S&P reserves the right to use an alternative pricing source on any given day.

As stated above under the heading "The Shares," the NAV for the Fund will be calculated daily by IBT. IBT will also disseminate the information daily to Barclays Global Investors, N.A., the Distributor, the NYSE and others. The Funds' NAV will be published in a number of places, including, <http://www.iShares.com> and on the Consolidated Tape.

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 on-line 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.

In addition, the Web site for the Trust, <http://www.iShares.com>, which will be publicly accessible at no charge (and to which the Exchange will provide a hyperlink on its Web site), will contain the following information: (1) The prior business day's NAV and the mid-point of the bid-ask price at the time of calculation of such NAV ("Bid/Ask Price"), and a calculation of the premium or discount of such price against such NAV; and (2) 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.

Beneficial owners of the Funds 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, IRS Form 1099-DIVs, etc. Because the Trust's records reflect ownership of Shares by DTC only, the Trust 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.

(c) UTP Trading Criteria

The Exchange represents that it will cease trading the Shares of a Fund if: (a) The listing market stops trading the Shares because of a regulatory halt similar to a halt based on NYSE Arca Equities Rule 7.12 or a halt because the IOPV or the value of the applicable Underlying Index is no longer available; or (b) the listing market delists the Shares. Additionally, the Exchange may cease trading the Shares of a Fund if such other event shall occur or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable.

(d) Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 9:30 a.m. until 8 p.m. ET, even if the IOPV is not disseminated from 4:15 p.m. to 8 p.m. ET.<sup>12</sup> The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. The minimum trading increment for Shares on the Exchange will be \$0.01.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of a Fund. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) The extent to which trading is not occurring in the securities comprising an Underlying Index and/or the Depositary Receipts of a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in Shares will be subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's "circuit breaker" rule<sup>13</sup> or by the halt or suspension of trading of the underlying securities. See "UTP Trading Criteria" above for specific instances when the Exchange will cease trading the Shares.

Shares will be deemed "Eligible Listed Securities," as defined in NYSE

<sup>12</sup> Because NSCC does not disseminate the new basket amount to market participants until approximately 6 p.m. to 7 p.m. ET, an updated IOPV is not possible to calculate during the Exchange's late trading session (4:15 p.m. to 8 p.m. ET). The Exchange may rely on the listing market to monitor dissemination of the IOPV during the Exchange's core trading session (9:30 a.m. to 4:15 p.m. ET). Currently the official index sponsors for the Funds' indexes do not calculate updated index values during the Exchange's late trading session; however, if the index sponsors did so in the future, the Exchange will not trade this product unless such official index value is widely disseminated.

<sup>13</sup> See NYSE Arca Equities Rule 7.12.

<sup>11</sup> The IOPV ticker is available at [www.ishares.com](http://www.ishares.com) and the IOPV is publicly available utilizing this ticker through various financial Web sites such as <http://finance.yahoo.com>.

Arca Equities Rule 7.55, for purposes of the Intermarket Trading System ("ITS") Plan and therefore will be subject to the trade through provisions of NYSE Arca Equities Rule 7.56, which require that ETP Holders avoid initiating trade-throughs for ITS securities.

(e) Surveillance

The Exchange intends to utilize its existing surveillance procedures applicable to derivative products to monitor trading in the Shares. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares.

The Exchange's current trading surveillance focuses 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 may obtain information via the Intermarket Surveillance Group ("ISG") from other exchanges who are members or affiliates of the ISG.<sup>14</sup>

(f) Information Bulletin

Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Specifically, the Information Bulletin will discuss the following: (1) The procedures for purchases and redemptions of Shares in Creation Unit Aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a),<sup>15</sup> which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) how information regarding the IOPV is disseminated; (4) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of

a transaction; and (5) trading information.

In addition, the Information Bulletin will advise ETP Holders, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Funds.<sup>16</sup> The Exchange notes that investors purchasing Shares directly from the Trust will receive a prospectus. ETP Holders purchasing Shares from the Trust for resale to investors will deliver a prospectus to such investors. The Information Bulletin will also discuss any exemptive, no-action and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Bulletin will reference that the Trust is subject to various fees and expenses described in the Registration Statement. The Information Bulletin will also disclose that the NAV for the Shares will be calculated shortly after 4 p.m. ET each trading day.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,<sup>17</sup> in general, and furthers the objectives of section 6(b)(5),<sup>18</sup> in particular, because it is designed to prevent fraudulent and manipulative act and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest.

In addition, the Exchange believes that the proposal is consistent with Rule 12f-5 under the Act<sup>19</sup> because it deems the Shares to be equity securities, thus rendering the Shares subject to the Exchange's existing rules governing the trading of equity securities.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not

necessary or appropriate in furtherance of the purposes of the Act.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments on the proposed rule change were neither solicited nor received.

**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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2006-60 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-NYSEArca-2006-60. 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 offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2006-60 and

<sup>14</sup> For a list of the current members and affiliate members of ISG, see [www.isgportal.com](http://www.isgportal.com).

<sup>15</sup> The Exchange recently amended NYSE Arca Equities Rule 9.2(a) ("Diligence as to Accounts") to provide that ETP Holders, before recommending a transaction, must have reasonable grounds to believe that the recommendation is suitable for the customer based on any facts disclosed by the customer as to his other security holdings and as to his financial situation and needs. Further, the proposed rule amendment provides, with a limited exception, that prior to the execution of a transaction recommended to a non-institutional customer, the ETP Holders shall make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives, and any other information that they believe would be useful to make a recommendation. See Securities Exchange Act Release No. 54045 (June 26, 2006), 71 FR 37971 (July 3, 2006) (SR-PCX-2005-115).

<sup>16</sup> See *In the Matter of iShares, Inc., et al.*, Investment Company Act Release No. 25623 (June 25, 2002), which permits dealers to sell Shares in the secondary market unaccompanied by a statutory prospectus when prospectus delivery is not required by the Securities Act of 1933. Any product description used in reliance on the Section 24(d) exemptive order will comply with all representations and conditions set forth in the order.

<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> 17 CFR 240.12f-5.

should be submitted on or before October 17, 2006.

#### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

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.<sup>20</sup> In particular, the Commission finds that the proposed rule change is consistent with section 6(b)(5) of the Act,<sup>21</sup> which requires that an exchange have rules designed, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general to protect investors and the public interest.

In addition, the Commission finds that proposal is consistent with section 12(f) of the Act,<sup>22</sup> which permits an exchange to trade, pursuant to UTP, a security that is listed and registered on another exchange.<sup>23</sup> The Commission also finds that the proposal is consistent with Rule 12f-5 under the Act,<sup>24</sup> which provides that an exchange shall not extend UTP to a security unless the exchange has in effect a rule or rules providing for transactions in the class or type of security to which the exchange extends UTP. NYSEArca rules deem the Shares to be equity securities, thus trading in the Shares will be subject to the Exchange's existing rules governing the trading of equity securities.

The Commission further believes that the proposal is consistent with section 11A(a)(1)(C)(iii) of the Act,<sup>25</sup> which sets forth Congress's finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information

<sup>20</sup> In approving this rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

<sup>22</sup> 15 U.S.C. 78l(f).

<sup>23</sup> Section 12(a) of the Act, 15 U.S.C. 78l(a), generally prohibits a broker-dealer from trading a security on a national securities exchange unless the security is registered on that exchange pursuant to Section 12 of the Act. Section 12(f) of the Act excludes from this restriction trading in any security to which an exchange "extends UTP." When an exchange extends UTP to a security, it allows its members to trade the security as if it were listed and registered on the exchange even though it is not so listed and registered.

<sup>24</sup> 17 CFR 240.12f-5.

<sup>25</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

with respect to quotations for and transactions in securities.

In support of the proposed rule change, the Exchange has made the following representations:

1. The Exchange has appropriate rules to facilitate transactions in this type of security in all trading sessions.
2. The Exchange's surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange.
3. The Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares.
4. The Exchange will require its ETP Holders to deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction and will note this prospectus delivery requirement in the Information Bulletin.
5. The Exchange will cease trading the Shares of a Fund if: (a) The listing market stops trading the Shares because of a regulatory halt similar to a halt based on NYSE Arca Equities Rule 7.12 or a halt because the IOPV or the value of the applicable Underlying Index is no longer available; or (b) the listing market delists the Shares.

This approval order is conditioned on the Exchange's adherence to these representations.

The Commission finds good cause for approving this proposed rule change before the thirtieth day after the publication of notice thereof in the **Federal Register**. As noted above, the Commission previously found that the listing and trading of these Shares on the NYSE is consistent with the Act.<sup>26</sup> The Commission presently is not aware of any issue that would cause it to revisit that earlier finding or preclude the trading of these funds on the Exchange pursuant to UTP. Therefore, accelerating approval of this proposed rule change should benefit investors by creating, without undue delay, additional competition in the market for these Shares.

#### V. Conclusion

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act, that the proposed rule change (SR-NYSEArca-2006-60), is hereby approved on an accelerated basis.<sup>27</sup>

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>28</sup>

Nancy M. Morris,  
Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54464; File No. SR-OCC-2006-14]

#### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Reduced Discounted Clearing Fees

September 18, 2006.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on August 15, 2006, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by OCC. OCC filed the proposed rule change pursuant to section 19(b)(3)(A)(ii) of the Act<sup>2</sup> and Rule 19b-4(f)(2) thereunder<sup>3</sup> so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change is to reduce OCC's currently discounted clearing fees for securities options and security futures where at least one side of the trade is cleared by an OCC clearing member for the period September 1, 2006, through December 29, 2006.

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

In its filing with the Commission, OCC 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 IV below. OCC has prepared summaries, set forth in sections (A), (B),

<sup>28</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>3</sup> 17 CFR 240.19b-4(f)(2).

<sup>26</sup> See NYSE Proposal, *supra* note 4.

<sup>27</sup> 15 U.S.C. 78s(b)(2).