

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52826; File No. SR-NYSE-2005-67)

November 22, 2005

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to iShares® Dow Jones U.S. Energy Sector Index Fund and iShares Dow Jones U.S. Telecommunications Sector Index Fund

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 30, 2005 the New York Stock Exchange, Inc. (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) 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 NYSE proposes to list and trade the iShares® Dow Jones U.S. Energy Sector Index Fund and iShares Dow Jones U.S. Telecommunications Sector Index Fund, both exchange traded funds, which are exchange-traded funds, which the Exchange denominates as Investment Company Units (“ICUs”).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 NYSE included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item III, below, and is set forth in Sections A, B, and C below.

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 that are consistent with the listing criteria currently used by other national securities exchanges, and trading standards pursuant to which the Exchange may either list and trade ICUs, or trade such ICUs on the Exchange on an unlisted trading privileges ("UTP") basis.³

The Exchange now proposes to list and trade under Section 703.16 of the NYSE Listed Company Manual ("Manual") and NYSE Rule 1100 *et seq.* shares of the iShares®⁴ Dow Jones U.S. Energy Sector Index Fund based on the Dow Jones U.S. Oil and Gas Index and iShares Dow Jones U.S. Telecommunications Sector Index Fund based on the Dow Jones Telecommunications Index (collectively, the "Funds"). The

³ In 1996, the Commission approved Section 703.16 of the NYSE Listed Company Manual ("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 for listing and trading, or the trading pursuant to UTP, of ICUs under Section 703.16 of the Manual and NYSE Rule 1100. See Securities Exchange Act Release No. 43679 (December 5, 2000), 65 FR 77949 (December 13, 2000) (SR-NYSE-00-46).

⁴ iShares is a registered trademark of Barclays Global Investors, N.A.

Funds are series of the iShares Trust (the “Trust”).⁵ The Funds are currently listed and traded on the American Stock Exchange LLC, and the issuer intends to move the listing of the Funds to the NYSE. As described below, the Funds do not meet the “generic” listing requirements of Section 703.16 of the Manual applicable to listing of ICUs (permitting listing in reliance upon Rule 19b-4(e) under the Act) and cannot be listed without a filing pursuant to Rule 19b-4⁶ under the Act. Section 703.16(B)(2)(c) provides that the most heavily weighted component stock may not exceed 25 % of the weight of

⁵ 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) (as amended, the “Registration Statement”).

On March 3, 2004, the Trust filed with the Commission an Amended and Restated Application for an Amended Order under Sections 6(c) and 17(b) of the Investment Company Act and on September 8, 2004, the Trust filed with the Commission a Second Amended and Restated Application to Amend Orders under Sections 6(c) and 17(b) of the Investment Company Act for the purpose of exempting the Fund from various provisions of the Investment Company Act and the rules thereunder (the “Application”). The Application requested that the Commission amend a prior Order received by the Advisor, the Trust and the Distributor on August 15, 2001, as amended (the “Prior Order”). On October 5, 2004, the SEC acted on the Application by approving an order amending certain prior orders under Section 6(c) of the Investment Company Act for an exemption from Sections 2(a)(32), 5(a)(1), 22(d) and 22(e) of the Investment Company Act and Rule 22c-1 under the Investment Company Act, and under Sections 6(c) and 17(b) of the Investment Company Act for an exemption from Sections 17(a)(1) and (a)(2) thereof. Investment Company Act Release No. 26626 (October 5, 2004) (“Amended Order”). See also In the Matter of iShares Trust, et al., Investment Company Act Release No. 25111 (August 15, 2001) as amended by In the Matter of iShares, Inc., et al., Investment Company Act Release No. 25623 (June 25, 2002) and In the Matter of iShares Trust, et al., Investment Company Act Release No. 26006 (April 15, 2003). The Amended Order permits the Trust to offer the Funds and permits the Funds to invest in certain depository receipts.

⁶ 17 CFR 240.19b-4.

the index or portfolio, and the five most heavily weighted component stocks may not exceed 65 % of the weight of the index or portfolio. As of September 23, 2005, one stock in the Dow Jones U.S. Oil and Gas Index – Exxon Mobil Corp. – accounted for 31.91% of the index weight and thus exceeded the 25 % criterion. In addition, as of September 23, 2005, the five most heavily weighted stocks in the Dow Jones U.S. Telecommunications Sector Index exceeded the 65 % weighting criterion. The following five stocks accounted for 83.24% of the index weight: Verizon Communications Inc. (24.17%), SBC Communications Inc. (21.32%), Sprint Nextel Corp. (18.60%), BellSouth Corp. (12.91%), and Alltel Corp. (6.24%).

As set forth in detail below, the Funds will hold certain securities (“Component Securities”) selected to correspond generally to the performance of the Dow Jones U.S. Oil and Gas Index and the Dow Jones U.S. Telecommunications Sector Index (the “Underlying Indexes”), respectively. Each Fund intends to qualify as a “regulated investment company” (a “RIC”) under the Internal Revenue Code (the “Code”). Barclays Global Fund Advisors (the “Advisor” or “BGFA”) is the investment advisor to the Funds. The Advisor is registered under the Investment Advisers Act of 1940.⁷ The Advisor is the wholly owned subsidiary of Barclays Global Investors, N.A. (“BGI”), a national banking association. BGI is an indirect subsidiary of Barclays Bank PLC of the United Kingdom. SEI Investments Distribution Co. (“SEI” or the “Distributor”), a Pennsylvania corporation and broker-dealer registered under the Act, is the principal underwriter and distributor of Creation Unit Aggregations of iShares (see “Issuance of

⁷ 15 U.S.C. 80b.

Creation Units Aggregations,” below). The Distributor is not affiliated with the Exchange or the Advisor. The Trust has appointed Investors Bank & Trust Co. (“IBT”) to act as administrator (the “Administrator”), custodian, fund accountant, transfer agent, and dividend disbursing agent for the Funds. The Exchange expects that performance of the Administrator’s duties and obligations will be conducted within the provisions of the Investment Company Act⁸ and the rules thereunder. There is no affiliation between the Administrator and the Trust, the Advisor, or the Distributor.

(a) Operation of the Funds⁹

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.¹⁰ In seeking to achieve their investment objective, the Funds will utilize “passive” indexing investment strategies. The Funds utilize 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. The Application

⁸ 15 U.S.C. 80a-1.

⁹ The Exchange states that the information provided herein is based on information included in the Application, Prior Order and the Prior Application as well as on the prospectus and Statement of Additional Information for the Funds. (See note 5, *supra*.) 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 compliance with the requirements of Section 10 of the Investment Company Act. 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 SEC Rule 10A-3, 17 CFR 240.10A-3.

¹⁰ The Funds’ investment objectives, policies and investment strategies will be fully disclosed in their prospectus (“Prospectus”) and statement of additional information (“SAI”).

states that the representative sampling techniques that will be used by the Advisor to manage the Funds do not differ from the representative sampling techniques it uses to manage the funds that were the subject of the Prior Order.

From time to time, adjustments may be made in the portfolio of the Funds in accordance with changes in the composition of the Underlying Indexes or to maintain compliance with requirements applicable to a “registered investment company” (“RIC”) under the Internal Revenue Code.¹¹ 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. In order to maintain RIC status, the Funds may not hold Underlying Index stocks in the same percentage weightings as in the Underlying Index, and the individual stock weightings in such indexes could be more concentrated than the index securities held by the Funds.

The Exchange states that an index is a theoretical financial calculation, while each Fund is an actual investment portfolio. The performance of the Funds and the Underlying Indexes will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. It is expected

¹¹ In order for the Funds to qualify for tax treatment as a RIC, they must meet several requirements under the Code. Among these is a requirement that, at the close of each quarter of the Funds’ taxable year, (1) at least 50% of the market value of the Funds’ 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 Funds’ assets and not greater than 10% of the outstanding voting securities of such issuer; and (2) not more than 25% of the value of their total assets may be invested in securities of any one issuer, or two or more issuers that are controlled by the Funds (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).

that, over time, the correlation between each Funds' performance and that of its respective 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."¹² As stated in the Application under the Investment Company Act applicable to the Funds, the Funds are expected to have a tracking error relative to the performance of the applicable Underlying Index of no more than 5%. The Funds' board of directors reviews the tracking error of the Funds on a quarterly basis and, based upon its review, will consider if any action might be appropriate.¹³

The Funds will not concentrate their investments (i.e., hold 25% or more of their assets) in a particular industry or group of industries, except that the Funds will concentrate their investments to approximately the same extent that the respective Underlying Index is so concentrated. 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 of state or municipal governments and their political subdivisions are not considered to be issued by members of any industry.

¹² The Web site for the Funds, www.iShares.com, contains detailed information on the performance and the tracking error for each Fund. Telephone conversation between Florence Harmon, Senior Special Counsel, Division of Market Regulation, Commission, and Michael Cavalier, Assistant General Counsel, NYSE, on November 15, 2005.

¹³ 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 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.

Each Fund will invest at least 90% of its assets in the securities of its Underlying Index or in American Depositary Receipts (“ADRs”) based on securities in the Underlying Index. A fund may invest the remainder of its assets in securities not included in its Underlying Index, which BGFA 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 BGFA.

The Exchange believes that these requirements and policies prevent the Funds from being excessively weighted in any single security or small group of securities.¹⁴

(b) Description of the Funds and the Underlying Indexes

Index Description

The Dow Jones U.S. Oil and Gas Index measures the performance of the oil and gas sector of the U.S. equity market. The Index includes companies in the following sectors: oil and gas producers and oil equipment, services and distribution. The Fund will concentrate its investments in a particular industry or group of industries to approximately the same extent as the Index is so concentrated. As of the close of

¹⁴ Both of the Funds hold securities and ADRs (for at least 90% of their assets) that are registered under Section 12 of the Exchange Act and listed on a national securities exchange or traded through the facilities of Nasdaq and that are “NMS stocks” as defined in Rule 600 of Regulation NMS of the Exchange Act. Telephone conversation between Florence Harmon, Senior Special Counsel,

business on December 17, 2004, the Index was concentrated in the integrated oil and gas industry group which comprised 56% of the market capitalization of the Index.

As of September 23, 2005, the Dow Jones U.S. Oil and Gas Index's top three holdings were Exxon Mobil Corp., Chevron Corp., and ConocoPhillips. The Index's top industries were Energy Equipment and Services, and Oil, Gas & Consumable Fuels.

As of September 23, 2005, the Dow Jones U.S. Oil and Gas Index components had a total market capitalization of approximately \$1.27 trillion. The average total market capitalization was approximately \$15.3 billion; the lowest market capitalization figure was \$529.6 million. The ten largest constituents represented approximately 68.2% of the Index weight while the five highest weighted stocks represented 56.4% of the Index weight. During the past two months (from September 23, 2005), the five highest weighted stocks had an average daily trading volume in excess of 8.1 million shares. From March 23, 2005 through September 23, 2005, 91.8% of the component stocks traded at least 1.8 million shares. During August 23, 2005 through September 23, 2005, the minimum monthly trading volume for the lowest performing Index component was at least 1.9 million shares.

The Dow Jones U.S. Telecommunications Sector Index measures the performance of the telecommunications sector of the U.S. equity market. The Index includes companies in the following sectors: fixed-line telecommunications and mobile telecommunications.

The Fund will concentrate its investments in a particular industry or group of industries to approximately the same extent as the Index is so concentrated. As of the close of business on December 12, 2004, the Index was concentrated in the fixed line telecommunications industry group, which comprised 84% of the market capitalization of the Index.

As of September 23, 2005, the Dow Jones U.S. Telecommunications Sector Index's top three holdings were Verizon Communications Inc., SBC Communications Inc., and Sprint Nextel Corp. The Index's top industry was Telecommunication Services.

As of September 23, 2005, the Dow Jones U.S. Telecommunications Sector Index components had a total market capitalization of approximately \$368.2 billion. The average total market capitalization was approximately \$16.7 billion; the lowest market capitalization figure was \$209.3 million. The ten largest constituents represented approximately 93.5% of the Index weight while the five highest weighted stocks represented approximately 83.3% of the Index weight. For July 23, 2005 through September 23, 2005, the five highest weighted stocks had an average daily trading volume in excess of 7.1 million shares. From March 23, 2005 through September 23, 2005, 99.9% of the component stocks traded at least 850,000 shares. During August 23, 2005 through September 23, 2005, the minimum monthly trading volume for the lowest performing Index component was at least 1.2 million shares.

The Dow Jones Indexes

Component Selection Criteria. Securities of companies listed on a U.S. exchange (such as the NYSE, the Amex or the Nasdaq) are considered for inclusion in the indexes, with the following general rules and exceptions. Stocks must have a minimum trade

history of six months on the rebalancing date to be eligible for inclusion. Foreign issues, including ADRs and GDRs, non-common equity issues such as preferred stocks, convertible notes, warrants, rights, closed-end funds, trust receipts, limited liabilities companies, royalty trusts, units, limited partnerships, over-the-counter bulletin boards and pink sheet stocks generally are not eligible for inclusion in the indexes.

Issue Changes. Each index is reviewed and rebalanced quarterly to maintain accurate representation of the market segment represented by the Index. Securities that leave an index between reconstitution dates are not replaced. Thus, the number of securities in an index between rebalancing dates fluctuates according to corporate activity. When a stock is acquired, delisted, or moves to the pink sheets or OTC bulletin board, the stock is deleted from the index. The only additions between rebalancing dates are as a result of spin-offs.

Index Maintenance. Maintaining the Dow Jones Indexes includes monitoring and completing the adjustments for additions and deletions to each Index, share changes, stock splits, stock dividends, and stock price adjustments due to restructuring and spin-offs. Generally, each component security in an Index is limited to a maximum market capitalization of 25% of the Index weight, and sum of the weights of all component securities greater than 5% of the index is limited to 50% of the Index total. If components fail either rule, their market capitalization will be reduced to meet the set guidelines. However, as noted, the Indexes (upon which the Funds are based) are subsets

of the Dow Jones Total Market Index and contain components whose weighting exceeds these general parameters.¹⁵

The Dow Jones U.S. Oil & Gas Index is a subset of the Dow Jones U.S. Total Market Index. The Index is capitalization weighted and includes companies in the oil and gas industries of the Dow Jones U.S. Total Market Index.¹⁶ The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price multiplied by the number of shares outstanding. The Index is adjusted to reflect changes in capitalization resulting from mergers, acquisitions, stock rights, substitutions and other capital events.

The Dow Jones U.S. Telecommunications Index is also a subset of the Dow Jones U.S. Total Market Index. The Index is capitalization-weighted and includes only companies in the telecommunications industry of the Dow Jones U.S. Total Market Index. The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price multiplied by the number of shares outstanding. The Index is adjusted to reflect changes in capitalization resulting from mergers, acquisitions, stock rights, substitutions and other capital events.

¹⁵ Telephone conversation between Florence Harmon, Senior Special Counsel, Division of Market Regulation, Commission, and Michael Cavalier, Assistant General Counsel, NYSE, on November 22, 2005.

¹⁶ Id.

The Dow Jones Indexes are calculated continuously, and real-time index values are available from major data vendors at least every 15 seconds during the hours that the Shares trade on the Exchange.¹⁷

(c) Issuance of Creation Unit Aggregations

(i) In General. Shares of the Funds (the “iShares”) will be issued on a continuous offering basis in groups of 50,000 iShares, or multiples thereof. These “groups” of shares are called “Creation Unit Aggregations.” The Funds will issue and redeem iShares only in Creation Unit Aggregations.¹⁸

As with other open-end investment companies, iShares will be issued at the net asset value (“NAV”) per share next determined after an order in proper form is received.

The NAV per share of the Funds is determined as of the close of the regular trading session on the Exchange on each day that the Exchange is open. The Trust sells Creation Unit Aggregations of the Funds only on business days at the next determined NAV of the Fund. Creation Unit Aggregations generally will be issued by the Funds in exchange for the in-kind deposit of equity securities designated by the Advisor to correspond generally to the price and yield performance of the Fund’s Underlying Index (the “Deposit Securities”) and a specified cash payment. Creation Unit Aggregations generally will be redeemed by the Fund in exchange for portfolio securities of the Fund (“Fund Securities”) and a specified cash payment. Fund Securities received on

¹⁷ See infra note 24 and accompanying text.

¹⁸ As of September 20, 2005, a Creation Unit Aggregation for the iShares Dow Jones Energy Sector Index Fund and the iShares Dow Jones Telecommunications Sector Index Fund had a value of approximately \$4,536,000 and \$1,179,500, respectively.

redemption may not be identical to Deposit Securities deposited in connection with creations of Creation Unit Aggregations for the same day.

All orders to purchase iShares in Creation Unit Aggregations must be placed through an Authorized Participant. 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 (the “Clearing Process”), a clearing agency that is registered with the SEC, or a Depository Trust Company (“DTC”) participant, and in each case, must enter into a Participant Agreement.

The Funds impose a transaction fee in connection with the issuance and redemption of iShares to offset transfer and other transaction costs. The transaction fee in connection with the issuance and redemption of Creation Unit Aggregations of the Funds are estimated to be approximately \$500-\$2000 for the iShares Dow Jones Energy Sector Index Fund and between \$250-\$1000 for the iShares Dow Jones Telecommunications Sector Index Fund.

(ii) In-Kind Deposit of Portfolio Securities. Payment for Creation Unit Aggregations will be made by the purchasers generally by an in-kind deposit with the applicable Fund of the Deposit Securities together with an amount of cash (the “Balancing Amount”) specified by the Advisor in the manner described below. The Balancing Amount is an amount equal to the difference between (1) the NAV (per Creation Unit Aggregation) of the Fund and (2) the total aggregate market value (per Creation Unit Aggregation) of the Deposit Securities (such value referred to herein as the “Deposit Amount”). The Balancing Amount serves the function of compensating for

differences, if any, between the NAV per Creation Unit Aggregation and that of the Deposit Amount. The deposit of the requisite Deposit Securities and the Balancing Amount are collectively referred to herein as a “Fund Deposit.” The Advisor will make available to the market through the NSCC on each business day, prior to the opening of trading on the Exchange (currently 9:30 a.m. Eastern Time), the list of the names and the required number of shares of each Deposit Security included in the current Fund Deposit (based on information at the end of the previous business day) for each Fund. The Fund Deposit will be applicable to the relevant Fund (subject to any adjustments to the Balancing Amount, as described below) in order to effect purchases of Creation Unit Aggregations of such Fund until such time as the next-announced Fund Deposit composition is made available.

The identity and number of shares of the Deposit Securities required for the Fund Deposit for each Fund will change from time to time. The composition of the Deposit Securities may change in response to adjustments to the weighting or composition of the Component Securities in the Underlying Index. In addition, 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 for delivery or that may not otherwise be eligible for transfer. The Trust also reserves the right to permit or require a “cash in lieu” amount where the delivery of the Deposit Security by the Authorized Participant would be restricted under the securities laws or where the delivery of the Deposit Security to the Authorized Participant would result in the disposition of the Deposit Security by the Authorized Participant becoming restricted under the securities laws, or in certain other

situations. The adjustments described above will reflect changes known to the Advisor on the date of announcement to be in effect by the time of delivery of the Fund Deposit, in the composition of the applicable Underlying Index or resulting from certain corporate actions.

(d) Redemption of iShares

Creation Unit Aggregations of the Funds will be redeemable at the NAV next determined after receipt of a request for redemption. Creation Unit Aggregations of the Funds generally will be redeemed in-kind, together with a balancing cash payment (although, as described below, Creation Unit Aggregations may sometimes be redeemed for cash). The value of the Funds' redemption payments on a Creation Unit Aggregation basis will equal the NAV per the appropriate number of iShares of the Funds. Owners of iShares may sell their iShares in the secondary market, but must accumulate enough iShares to constitute a Creation Unit Aggregation in order to redeem through the Funds. Redemption orders must be placed by or through an Authorized Participant.

Shares may be redeemed only in Creation Unit Aggregations at their NAV next determined after receipt of a redemption request in proper form by the Fund through IBT and only on a business day. A Fund will not redeem shares in amounts less than Creation Unit Aggregations.

With respect to each Fund, BGFA, through the NSCC and through the Distributor, makes available prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time) on each business day, the identity of the Fund securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as described below) on that day ("Fund Securities"). Fund

Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Unit Aggregations.

Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit Aggregation generally consist of Fund Securities – as announced on the business day of the request for redemption received in proper form – 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 Fund Securities (the “Cash Redemption Amount”), less a redemption transaction fee as noted above. In the event that the Fund Securities have a value greater than the NAV of the shares, a compensating cash payment equal to the difference is required to be made by or through an Authorized Participant by the redeeming shareholder.

(e) Availability of Information Regarding iShares and the Underlying Index

Prior to the opening of business on the Exchange (currently 9:30 a.m. Eastern time) on each business day, BGFA, through NSCC, will make available the list of names and amount of each security constituting the current Deposit Securities of the Fund Deposit (subject to possible amendment or correction) and the Balancing Amount effective as of the previous business day, per outstanding share of each Fund.¹⁹

¹⁹ BGFA will similarly make available the identity of the Fund securities for redemption requests. See “Redemption of iShares,” supra.

The NAV for the Fund will be calculated and disseminated daily. The Funds' NAV will be published in a number of places, including www.iShares.com and on the Consolidated Tape.²⁰

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 (the "Intra-day Optimized Portfolio Value" or "IOPV") will be calculated by a third party independent of the issuer (the "Value Calculator"), at least every 15 seconds during the Exchange's regular trading hours and disseminated at least every 15 seconds on the Consolidated Tape. In addition, the values of the Underlying Indexes will be disseminated by one or more major market vendors at least every 15 seconds during the Exchange's regular trading hours.²¹ The last sale prices of Fund shares traded in the secondary market will be disseminated on the Consolidated Tape on a real-time basis.

The IOPV reflects the current value of the Deposit Securities and the Balancing Amount. 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

²⁰ Telephone conversation between Florence Harmon, Senior Special Counsel, Division of Market Regulation, Commission, and Michael Cavalier, Assistant General Counsel, NYSE, on November 15, 2005.

²¹ The Exchange will commence delisting proceedings of a series of ICUs if the value of the index or portfolio of securities on which the series is based is no longer calculated or available. See Section 703.16 of the Manual. Section 703.16 requires that, for ICUs listed in reliance upon Rule 19b-4(e) under the Act, the underlying index value and the IOPV be disseminated by one or more major market data vendors or over the consolidated tape at least every 15 seconds. See Release No. 34-52081 (July 20, 2005), 70 FR 43488 (July 27, 2005) (SR-NYSE-2005-44).

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 Fund share basis disseminated during the Exchange's trading hours 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 by the Exchange at 9:30 a.m. is expected to be generally very close to the most recently calculated Fund NAV on a per Fund 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 Fund 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).

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 Fund shares trading on the Exchange or the creation or redemption of Fund shares.

As noted, the Dow Jones Indexes are calculated continuously, and real-time index values are available from major data vendors at least every 15 seconds during the hours that the Shares trade on the Exchange.²²

²² See infra note 24 and accompanying text.

Other information on the Funds, regarding NAV, premium or discount to NAV, distributions, shares outstanding total returns, tracking error, holdings and other information is available on www.iShares.com.

(f) Dividends and Distributions

General Policies. Accrued dividends from net investment income, if any, are declared and paid at least annually by each Fund. Distributions of net realized securities gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for certain Funds. The Trust reserves the right to declare special distributions if, in its reasonable discretion, such action is necessary or advisable to preserve the status of each Fund as a RIC or to avoid imposition of income or excise taxes on undistributed income.

Dividends and other distribution in shares are distributed on a pro rata basis to Beneficial Owners of such shares. Dividend payments are made through DTC Participants and Indirect Participants to Beneficial Owners then of record with proceeds received from the Funds.

Dividend Reinvestment Service. No dividend reinvestment service is provided by the Trust. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by Beneficial Owners of Funds for reinvestment of their dividend distributions. Beneficial Owners should contact their broker to determine the availability and costs of the service and the details of participation therein. Brokers may require Beneficial Owners to adhere to specific procedures and timetables. If this service is available and used, dividend distributions of both income and realized gains will be

automatically reinvested in additional whole shares of the same Fund purchased in the secondary market.

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 iShares 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.

(g) Other Issues

(i) Criteria for Initial and Continued Listing. The Funds are subject to the criteria for initial and continued listing of ICUs in Section 703.16 of the Manual. A minimum of two Creation Units (100,000 iShares) was required to be outstanding at the start of trading. This minimum number of shares of each Fund required to be outstanding at the start of trading will be comparable to requirements that have been applied to previously traded series of ICUs. The Exchange notes that the number of shares outstanding as of September 20, 2005 for the iShares Dow Jones U.S. Energy Sector Index Fund and the Dow Jones U.S. Telecommunications Sector Index Fund were 9,800,000 and 22,150,000 shares, respectively.

(ii) Original and Annual Listing Fees. The original listing fees applicable to the Funds for listing on the Exchange is \$5,000 for each Fund, and the continuing fees will be \$2,000 for each Fund.

(iii) Stop and Stop Limit Orders. Commentary .30 to NYSE 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 on 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.

(iv) Rule 460.10. NYSE Rule 460.10 generally precludes certain business relationships between an issuer and the specialist or its affiliates in the issuer's securities. Exceptions in the Rule 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 or affiliate Creation Unit transaction may only be effected on the same terms and conditions as any other investor, and only at the net asset value of the Fund shares. A specialist or affiliate may acquire a position in excess of 10% of the outstanding issue of the Funds' 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.

(v) Prospectus or Product Description Delivery. The Commission has granted the Trust an exemption from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act.²³ Any product description used in reliance on the Section 24(d) exemptive order will comply with all representations made therein and all

²³ 15 U.S.C. 80a-24. See In the Matter of iShares, Inc., et al., Investment Company Act Release No. 25623 (June 25, 2002).

conditions thereto. The Exchange, in an 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 NYSE 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 NYSE Rule 1100(b).

(vi) Information Memo. The Exchange will distribute an Information Memo to its members in connection with the trading of the Funds. The Memo will discuss the special characteristics and risks of trading this type of security. Specifically, the Memo, among other things, will discuss what the Funds are, how the Funds' shares are created and redeemed, the requirement that members and member firms deliver a prospectus or product description to investors purchasing shares of the Funds 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 circular will also discuss exemptive, no-action and interpretive relief granted by the Commission certain rules under the Act.

(vii) Trading Halts. In order to halt the trading of the Funds, 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 the Funds' shares is subject to trading halts caused by extraordinary market

volatility pursuant to NYSE 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.²⁴

(viii) Due Diligence/Suitability. The Exchange represents that the Information 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 NYSE Rule 405 (Diligence as to Accounts).

(ix) Purchases and Redemptions in Creation Unit Size. In the Memo referenced above, members and member organizations will be informed that procedures for purchases and redemptions of shares of the Funds in Creation Unit Size are described in the Funds' Prospectus and SAI, and that shares of the Funds are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

(x) Surveillance. Exchange surveillance procedures applicable to trading in the proposed iShares are comparable to those applicable to other ICUs currently trading on the Exchange. The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Funds.

²⁴ In the even an Index value or IOPV is no longer calculated or disseminated, the Exchange would immediately contact the Commission to discuss measures that may be appropriate under the circumstances. Telephone conversation between Florence Harmon, Senior Special Counsel, Division of Market Regulation, Commission, and Michael Cavalier, Assistant General Counsel, NYSE, on November 22, 2005.

(xi) Hours of Trading/Minimum Price Variation. The Funds will trade on the Exchange until 4:15 p.m. (Eastern time). The minimum price variation for quoting will be \$.01.

2. Statutory Basis

NYSE believes that the proposed rule change is consistent with Section 6(b)(5) of the Act²⁵ 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 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

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:

²⁵ 15 U.S.C. 78f(b)(5).

- 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-2005-67 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSE-2005-67. 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 NYSE. 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-2005-67 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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.²⁶ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act²⁷ 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 proposed rule change raises no issues that have not been previously considered by the Commission.²⁸ The Fund is similar in structure and operation to exchange-traded index funds that the Commission has previously approved for listing and trading on national securities exchanges under Section 19(b)(2) of the Act.²⁹ Further, with respect to each of the following key issues, the Commission believes that the Fund satisfies established standards.

²⁶ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²⁷ 15 U.S.C. 78f(b)(5).

²⁸ The Commission notes that, as is the case with similar previously approved exchange traded funds, investors in the Fund can redeem shares in Creation-Unit-size aggregations only. See, e.g., Securities Exchange Act Release Nos. 43679 (December 5, 2000), 65 FR 77949 (December 13, 2000) (File No. SR-NYSE-00-46); 50505 (October 8, 2004), 69 FR 61280 (October 15, 2004) (File No. SR-NYSE-2004-55); 50189 (August 12, 2004), 69 FR 51723 (August 20, 2004) (File No. SR-Amex-2004-05); 52178 (July 29, 2005), 70 FR 46244 (August 9, 2005) (File No. SR-NYSE-2005-41).

²⁹ 15 U.S.C. 78s(b)(2).

A. Surveillance

Given the market capitalization and liquidity of the Underlying Indexes and Funds' component securities, the Commission does not believe that the Funds' shares will be susceptible to manipulation, despite the concentration of individual components. Nevertheless, the Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Funds, taking into account the concentration of the individual components. The Commission expects the Exchange to employ adequate surveillance for detecting manipulations of both the Shares and the underlying components, especially given the concentration of individual components.

B. Dissemination of Fund Information

With respect to pricing, once each day, the NAV for the Fund will be calculated and disseminated by IBT, to various sources, including the NYSE, and made available on www.iShares.com and the Consolidated Tape. Also, during the Exchange's regular trading hours, the IOPV Calculator will determine and disseminate at least every 15 seconds the IOPV for each Fund, and the Index values will be calculated and disseminated at least every 15 seconds.

The Commission notes that a variety of additional information about each Fund will be readily available. 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. Information on the Funds, regarding NAV, premium or discount to NAV, distributions, shares outstanding total returns, tracking error, holdings and other information is available on www.iShares.com. Also, the closing prices of the Fund's Deposit Securities are available from, as applicable,

the relevant exchanges, automated quotation systems, published or other public sources in the relevant country, or on-line information services.

Based on the representations made in the NYSE proposal, the Commission believes that pricing and other important information about the Fund is adequate and consistent with the Act.

C. Information Memorandum

The Exchange represents that it will circulate an Information Memorandum detailing applicable prospectus and product description delivery requirements. The memo will also discuss exemptive, no-action and interpretive relief granted by the Commission from certain rules under the Act. The memo also will address NYSE members' responsibility to deliver a prospectus or product description to all investors (in accordance with NYSE Rule 1100(b)) and highlight the characteristics of the Funds. The memo will also remind members of their suitability obligations, including NYSE Rule 405 (Diligence as to Accounts).³⁰ For example, the Information Memo will also inform members and member organizations that Fund shares are not individually redeemable, but are redeemable only in Creation-Unit-size aggregations or multiples thereof as set forth in the Fund Prospectus and SAI.³¹ The Commission believes that the disclosure included in the information memo is appropriate and consistent with the Act.

³⁰ NYSE Rule 405 generally requires that members use due diligence to learn the essential facts relative to every customer, order or account accepted.

³¹ See discussion under Section II.A.1(g)(vi) "Operation of the Funds," above. The Exchange has represented that the information memo will also discuss exemptive, no-action, and interpretive relief granted by the Commission from certain rules under the Act.

D. Listing and Trading

The Commission finds that adequate rules and procedures exist to govern the listing and trading of the Fund's shares. Fund shares will be deemed equity securities subject to NYSE rules governing the trading of equity securities, including, among others, rules governing trading halts, responsibilities of the specialist, account opening and customer suitability requirements,³² and the election of stop and stop limit orders.

In addition, the Exchange states that iShares are subject to the criteria for initial and continued listing of ICUs in Section 703.16 of the NYSE Manual. The Commission believes that the listing and delisting criteria for Fund shares should help to ensure that a minimum level of liquidity will exist in the Fund to allow for the maintenance of fair and orderly markets.

E. 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). The Funds are substantially identical in structure to other iShares Funds, which have an established and active trading history on the NYSE and other exchanges. The Commission does not believe that the proposed rule change raises novel regulatory issues.

³² Prior to commencement of trading, the Exchange states that it will issue an Information Memo informing members and member organizations of the characteristics of the Fund and of applicable Exchange rules, as well as of the requirements of NYSE Rule 405 (Diligence as to Accounts).

³³ 15 U.S.C. 78s(b)(2).

Accordingly, the Commission finds that there is good cause, consistent with Section 6(b)(5) of the Act,³⁴ to approve the proposal on an accelerated basis.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-NYSE-2005-67), is hereby approved on an accelerated basis.³⁵

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁶

Jonathan G. Katz
Secretary

³⁴ 15 U.S.C. 78s(b)(5).

³⁵ 15 U.S.C. 78s(b)(2).

³⁶ 17 CFR 200.30-3(a)(12).