

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53658; File No. SR-NYSE-2006-20)

April 14, 2006

Self-Regulatory Organizations; New York Stock Exchange, LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto to List and Trade Index-Linked Securities of Barclays Bank PLC Linked to the Performance of the GSCI[®] Total Return Index

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 March 13, 2006 the New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On March 27, 2006, NYSE filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The NYSE proposes to list and trade Index-Linked Securities (the “Notes”) of Barclays Bank PLC (“Barclays”) linked to the performance of the GSCI[®] Total Return Index (the “Index”). The text of the proposed rule change is available on the Exchange’s Web site (www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange notes a proposed Supplementary Material to Rule 1301B in SR-NYSE-2006-17, which sets forth guidelines for specialists applicable to this product.

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 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. The NYSE 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Notes

Under Section 703.19 of the NYSE Listed Company Manual (the “Manual”), the Exchange may approve for listing and trading securities not otherwise covered by the criteria of Sections 1 and 7 of the Manual, provided the issue is suited for auction market trading.⁴ The Exchange proposes to list and trade, under Section 703.19 of the Manual, the Notes, which are linked to the performance of the Index. Barclays intends to issue the Notes under the name “iPathSM Exchange-Traded Notes.”⁵

The Exchange believes that the Notes will conform to the initial listing standards for equity securities under Section 703.19 of the Manual, as Barclays is an affiliate of Barclays

⁴ See Securities Exchange Act Release No. 28217 (July 18, 1990), 55 FR 30056 (July 24, 1990) (SR-NYSE-90-30).

⁵ Goldman, Sachs & Co. and Barclays have entered into a license agreement granting to Barclays a non-transferable, non-exclusive license to use the Goldman Sachs Commodity Index[®] or any sub-indices (individually and collectively, the “GSCI[®]”) in connection with the Notes. Goldman, Sachs & Co. or any of its affiliates or subsidiaries, individually or collectively, are referred to as the “Index Sponsor.”

PLC,⁶ an Exchange listed company in good standing, the Notes will have a minimum life of one year, the minimum public market value of the Notes at the time of issuance will exceed \$4 million, there will be at least one million Notes outstanding, and there will be at least 400 holders at the time of issuance.

The Notes are a series of medium-term debt securities of Barclays that provide for a cash payment at maturity or upon earlier exchange at the holder's option, based on the performance of the Index subject to the adjustments described below. The principal amount of each Note is expected to be \$50. The Notes will trade on the Exchange's equity trading floor, and the Exchange's existing equity trading rules will apply to trading in the Notes. The Notes will not have a minimum principal amount that will be repaid and, accordingly, payment on the Notes prior to or at maturity may be less than the original issue price of the Notes. In fact, the value of the Index must increase for the investor to receive at least the \$50 principal amount per Note at maturity or upon exchange or redemption. If the value of the Index decreases or does not increase sufficiently to offset the investor fee (described below), the investor will receive less, and possibly significantly less, than the \$50 principal amount per Note. In addition, holders of the Notes will not receive any interest payments from the Notes. The Notes are expected to have a term of 30 years. The Notes are not callable.⁷

⁶ The issuer of the Notes, Barclays, is an affiliate of an Exchange-listed company (Barclays PLC) and not an Exchange-listed company itself. However, Barclays, though an affiliate of Barclays PLC, would exceed the Exchange's earnings and minimum tangible net worth requirements in Section 102. Additionally, the Exchange states that the Notes when combined with the original issue price of all other Note offerings of the issuer that are listed on a national securities exchange (or association) does not exceed 25% of the issuer's net worth. Telephone conference between Florence E. Harmon, Senior Special Counsel, Division of Market Regulation ("Division"), Commission, and John Carey, Assistant General Counsel, Exchange, on April 11, 2006 ("April 11 Telephone Conference").

⁷ April 11 Telephone Conference.

Holders who have not previously redeemed their Notes will receive a cash payment at maturity equal to the principal amount of their Notes times the index factor on the Final Valuation Date (as defined below) minus the investor fee on the Final Valuation Date. The “index factor” on any given day will be equal to the closing value of the Index on that day divided by the initial index level. The index factor on the Final Valuation Date will be equal to the final index level divided by the initial index level. The “initial index level” is the closing value of the Index on the date of issuance of the Notes (the “Trade Date”), and the “final index level” is the closing value of the Index on the Final Valuation Date. The investor fee is equal to 0.75% per year times the principal amount of a holder’s Notes times the index factor, calculated on a daily basis in the following manner: the investor fee on the Trade Date will equal zero. On each subsequent calendar day until maturity or early redemption, the investor fee will increase by an amount equal to 0.75% times the principal amount of a holder’s Notes times the index factor on that day (or, if such day is not a trading day, the index factor on the immediately preceding trading day) divided by 365. The investor fee is the only fee holders will be charged in connection with their ownership of the Notes.

Prior to maturity, holders may, subject to certain restrictions, redeem their Notes on any Redemption Date (defined below) during the term of the Notes provided that they present at least 50,000 Notes for redemption, or they act through a broker or other financial intermediaries (such as a bank or other financial institution not required to register as a broker-dealer to engage in securities transactions) that are willing to bundle their Notes for redemption with other investors’ Notes. If a holder chooses to redeem such holder’s Notes on a Redemption Date, such holder will receive a cash payment on such date equal to the principal amount of such holder’s Notes times the index factor on the applicable Valuation Date minus the investor fee on the applicable

Valuation Date. A “Redemption Date” is the third business day following a Valuation Date (other than the Final Valuation Date (defined below)). A “Valuation Date” is each Thursday from the first Thursday after issuance of the Notes until the last Thursday before maturity of the Notes (the “Final Valuation Date”) inclusive (or, if such date is not a trading day,⁸ the next succeeding trading day), unless the calculation agent determines that a market disruption event, as described below, occurs or is continuing on that day.⁹ In that event, the Valuation Date for the maturity date or corresponding Redemption Date, as the case may be, will be the first following trading day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will a Valuation Date be postponed by more than five trading days.

Any of the following will be a market disruption event: (i) a material limitation, suspension or disruption in the trading of any Index component that results in a failure by the trading facility on which the relevant contract is traded to report a daily contract reference price (i.e., the price of the relevant contract that is used as a reference or benchmark by market participants);¹⁰ (ii) the daily contract reference price for any Index component is a “limit price,”

⁸ A “trading day” is a day on which (i) the value of the Index is published by the Index Sponsor, (ii) trading is generally conducted on the Exchange, and (iii) trading is generally conducted on the markets on which the futures contracts underlying the GSCI[®] are traded, in each case as determined by the calculation agent in its sole discretion.

⁹ Barclays will serve as the initial calculation agent.

¹⁰ The “daily contract reference price” with respect to each contract expiration and contract is the price of the relevant contract, expressed in U.S. dollars, that is generally used by participants in the related cash or over-the-counter market as a benchmark for transactions related to such contract. The daily contract reference price may, but is not required to, be the price (i) used by such trading facility or related clearing facility to determine the margin obligations (if any) of its members or participants or (ii) referred to generally as the reference, closing or settlement price of the relevant contract. If a trading facility publishes a daily settlement price for a particular contract expiration, such settlement price will generally serve as the daily contract reference price for such contract expiration unless, in the reasonable judgment of the Index Sponsor, in consultation with

which means that the daily contract reference price for such contract has increased or decreased from the previous day's daily contract reference price by the maximum amount permitted under the applicable rules or procedures of the relevant trading facility; (iii) failure by the Index Sponsor to publish the closing value of the Index or of the applicable trading facility or other price source to announce or publish the daily contract reference price for one or more Index components; or (iv) any other event, if the calculation agent determines in its sole discretion that the event materially interferes with Barclays' ability or the ability of any of Barclays' affiliates to unwind all or a material portion of a hedge with respect to the Notes that Barclays or Barclays' affiliates have effected or may effect as described herein in connection with the sale of the Notes.¹¹

If a Valuation Date is postponed by five trading days, that fifth day will nevertheless be the date on which the value of the Index will be determined by the calculation agent. In such an event, the calculation agent will make a good faith estimate in its sole discretion of the value of the Index.

To redeem their Notes, holders must instruct their broker or other person through whom they hold their Notes to take the following steps:

- deliver a notice of redemption to Barclays via email by no later than 11:00 a.m. New York time on the business day prior to the applicable Valuation Date. If

the Policy Committee, such settlement price does not satisfy the criteria set forth in this definition. The daily contract reference price of a contract may be determined and published either by the relevant trading facility or by one or more third parties.

¹¹ If a "market disruption event" is of more than a temporary nature, the Exchange will file a proposed rule change pursuant to Rule 19b-4 under the Act. Unless approved for continued trading, the Exchange would commence delisting proceedings. See "Continued Listing Criteria," *infra*. Telephone conference between Florence Harmon, Senior Special Counsel, Division, Commission; John Carey, Assistant General Counsel, Exchange; and Michael Cavalier, Assistant General Counsel, Exchange, on April 10, 2006 ("April 10 Telephone Conference").

Barclays receives such notice by the time specified in the preceding sentence, it will respond by sending the holder a confirmation of redemption;

- deliver the signed confirmation of redemption to Barclays via facsimile in the specified form by 4:00 p.m. New York time on the same day. Barclays must acknowledge receipt in order for the confirmation to be effective; and
- transfer such holder's book-entry interest in its Notes to the trustee, The Bank of New York, on Barclays' behalf at or prior to 10:00 a.m. New York time on the applicable Redemption Date (the third business day following the Valuation Date).¹²

If holders elect to redeem their Notes, Barclays may request that Barclays Capital Inc. (a broker-dealer) purchase the Notes for the cash amount that would otherwise have been payable by Barclays upon redemption. In this case, Barclays will remain obligated to redeem the Notes if Barclays Capital Inc. fails to purchase the Notes. Any Notes purchased by Barclays Capital Inc. may remain outstanding.

If an event of default occurs and the maturity of the Notes is accelerated Barclays will pay the default amount in respect of the principal of the Notes at maturity. The default amount for the Notes on any day will be an amount, determined by the calculation agent in its sole discretion, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all Barclays' payment and other obligations with respect to the Notes as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to the holders of the Notes with respect to the Notes. That cost will equal:

¹² April 10 Telephone Conference.

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Notes in preparing any documentation necessary for this assumption or undertaking.¹³

Indicative Value

An intraday "Indicative Value" meant to approximate the intrinsic economic value of the Notes will be calculated and published via the facilities of the Consolidated Tape Association ("CTA") every 15 seconds throughout the NYSE trading day on each day on which the Notes are traded on the Exchange.¹⁴ Additionally, Barclays or an affiliate will calculate and publish the closing Indicative Value of the Notes on each trading day at www.ipathetn.com. In connection with the Notes, the term "Indicative Value" refers to the value at a given time determined based on the following equation:

$$\text{Indicative Value} = \text{Principal Amount per Unit} \times (\text{Current Index Level} - \text{Initial Index Level}) - \text{Current Investor Fee}$$

¹³ Additional information about the default provisions of the Notes is provided in the Exchange's Form 19b-4 and Barclays Bank PLC Registration Statement Form F-3 (333-126811), as amended by Amendment No. 1 on September 11, 2005.

¹⁴ The Indicative Value calculation will be provided for reference purposes only. It is not intended as a price or quotation, or as an offer or solicitation for the purchase, sale, redemption or termination of the Notes, nor does it reflect hedging or transaction costs, credit considerations, market liquidity, or bid-offer spreads. Published Index levels from the index sponsors may occasionally be subject to delay or postponement. Any such delays or postponements will affect the Current Index Level and therefore the Indicative Value of the Notes. Index levels provided by the index sponsors will not necessarily reflect the depth and liquidity of the underlying commodities markets. For this reason and others, the actual trading price of the Notes may be different from their Indicative Value.

where:

Principal Amount per Unit = \$50

Current Index Level = The most recent published level of the Index as reported by the Index Sponsor

Initial Index Level = The Index level on the trade date for the Notes.

Current Investor Fee = The most recent daily calculation of the investor fee with respect to the Notes, determined as described above (which, during any trading day, will be the investor fee determined on the preceding calendar day).

The Indicative Value will not reflect price changes to the price of an underlying commodity between the close of trading of the futures contract at the relevant futures exchange and the close of trading on the NYSE at 4:00 p.m. New York time.¹⁵ The value of the Notes may accordingly be influenced by non-concurrent trading hours between the NYSE and the various futures exchanges on which the futures contracts based on the Index commodities are traded. While the Notes will trade on the NYSE from 9:30 a.m. to 4:00 p.m. New York time, the table below lists the trading hours for each of the Index components.¹⁶

CBOT

Corn 10:30 a.m. - 2:15 p.m.

Soybeans 10:30 a.m. - 2:15 p.m.

Wheat 10:30 a.m. - 2:15 p.m.

CME

Feeder Cattle 10:05 a.m. - 2:00 p.m.

Lean Hogs 10:10 a.m. - 2:00 p.m.

¹⁵ April 10 Telephone Conference.

¹⁶ Id.

Live Cattle 10:05 a.m. - 2:00 p.m.

COMEX

Gold 8:20 a.m. - 1:30 p.m.

Silver 8:25 a.m. - 1:25 p.m.

CSCE

Coffee 9:15 a.m. - 12:30 p.m.

Cocoa 8:00 a.m. - 11:50 a.m.

Sugar #11 9:00 a.m. - 12:00 p.m.

ICE Futures

Brent Crude Oil 8:00 p.m. - 5:00 p.m.

Gas Oil 8:00 p.m. - 5:00 p.m.

KCBOT

Kansas Wheat 10:30 a.m. - 2:15 p.m.

NYBOT

Cotton #2 10:30 a.m. - 2:15 p.m.

NYMEX

Heating Oil 10:05 a.m. - 2:30 p.m.

Natural Gas 10:00 a.m. - 2:30 p.m.

Unleaded Gasoline 10:05 a.m. - 2:30 p.m.

WTI Crude Oil 10:00 a.m. - 2:30 p.m.

LME

Aluminum 6:55 a.m. - 12:00 p.m.

Copper 7:00 a.m. - 12:00 p.m.

Lead	7:05 a.m. - 11:50 a.m.
Nickel	7:15 a.m. - 11:55 a.m.
Zinc	7:10 a.m. - 11:55 a.m.

While the market for futures trading for each of the Index commodities is open, the Indicative Value can be expected to closely approximate the redemption value of the Notes. However, during NYSE trading hours when the futures contracts have ceased trading, spreads and resulting premiums or discounts may widen, and therefore, increase the difference between the price of the Notes and their redemption value. The Indicative Value disseminated during NYSE trading hours should not be viewed as a real time update of the redemption value.

Description of the Index

The Exchange states that all disclosure in this filing regarding the Index and the GSCI[®] is derived from publicly available information. The GSCI is a separate index from the Index; however, the value of the Index is derived from the GSCI, as described below.¹⁷

The Index was established in May 1991, and is designed to be a diversified benchmark for physical commodities as an asset class. The Index reflects the excess returns that are potentially available through an unleveraged investment in the contracts comprising the GSCI[®] plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.¹⁸ The value of the Index, on any given day, reflects (i) the price levels of the contracts included in the GSCI[®] (which represents the value of the GSCI[®]); (ii) the

¹⁷ Telephone conference between Florence E. Harmon, Senior Special Counsel, Division, Commission, and John Carey, Assistant General Counsel, Exchange, on April 14, 2006 (“April 14 Telephone Conference with John Carey”). See also footnote 5, supra.

¹⁸ The Treasury Bill rate of interest used for purposes of calculating the index on any day is the 91-day auction high rate for U.S. Treasury Bills, as reported on Telerate page 56, or any successor page, on the most recent of the weekly auction dates prior to such day.

“contract daily return,” which is the percentage change in the total dollar weight of the GSCI[®] from the previous day to the current day; and (iii) the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

Because the value of the Index reflects the futures contracts included in the GSCI, the Exchange below describes the index methodology for the GSCI. The GSCI[®], upon which the Index is based, is a proprietary index on a production-weighted basket of futures contracts on physical commodities traded on trading facilities in major industrialized countries.¹⁹ The GSCI[®] is designed to be a measure of the performance over time of the markets for these commodities. The only commodities represented in the GSCI[®] are those physical commodities on which active and liquid contracts are traded on trading facilities in major industrialized countries. The commodities represented in the GSCI[®] are weighted, on a production basis, to reflect their relative significance (in the view of the Index Sponsor, in consultation with the Policy Committee) to the world economy. The fluctuations in the value of the GSCI[®] are intended generally to correlate with changes in the prices of such physical commodities in global markets. The value of the GSCI[®] has been normalized such that its hypothetical level on January 2, 1970 was 100. Futures contracts on the GSCI[®], and options on such futures contracts, are currently listed for trading on the Chicago Mercantile Exchange.

The contracts to be included in the GSCI[®] at any given time must satisfy several sets of eligibility criteria established by the Index Sponsor.²⁰ First, the Index Sponsor identifies those

¹⁹ Futures contracts on physical commodities and commodity indices are traded on regulated futures exchanges. Futures exchanges in the United States are subject to regulation by the Commodity Futures Trading Commission (“CFTC”) and futures markets outside the United States are generally subject to regulation by comparable regulatory authorities.

²⁰ Goldman, Sachs & Co. is the Index Sponsor for both the Index and the GSCI. Telephone conference between Florence E. Harmon, Senior Special Counsel, Division, Commission,

contracts that meet the general criteria for eligibility. Second, the contract volume and weight requirements are applied and the number of contracts is determined, which serves to reduce the list of eligible contracts. At that point, the list of designated contracts for the relevant period is complete. The composition of the GSCI[®] is also reviewed on a monthly basis by the Index Sponsor.²¹

Set forth below is a summary of the composition of and the methodology used to calculate the GSCI[®] as of this date. The methodology for determining the composition and weighting of the GSCI[®] and for calculating its value is subject to modification in a manner consistent with the purposes of the GSCI[®], as described below. The Index Sponsor makes the official calculations of the GSCI[®]. At present, this calculation is performed continuously and is reported on Reuters page GSCI[®] (or any successor or replacement page) and will be updated on Reuters at least every 15 seconds during business hours on each day on which the offices of the Index Sponsor in New York City are open for business (a “GSCI Business Day”).²² The

and Michael Cavalier, Assistant General Counsel, Exchange, on April 13, 2006 (“April 13 Telephone Conference”).

²¹ The Index Sponsor, Goldman, Sachs & Co., who calculates the GSCI and thus the Index, is a broker-dealer. The Index Sponsor has represented to Barclays that it will (i) implement and maintain procedures reasonably designed to prevent the use and dissemination by officers and directors of the Index Sponsor, in violation of applicable laws, rules and regulations, of material non-public information relating to changes in the composition or method of computation or calculation of the Index and (ii) periodically check the application of such procedures as they relate to officers and directors of the Index Sponsor directly responsible for such changes. In addition, the Policy Committee members (as described below) are subject to written policies with respect to material, non-public information. Telephone conversation between Florence Harmon, Senior Special Counsel, Division, Commission; John Carey, Assistant General Counsel, Exchange; and Michael Cavalier, Assistant General Counsel, Exchange, on April 14, 2006 (“April 14 Telephone Conference with John Carey and Michael Cavalier”).

²² Additionally, the intraday index value of the Index will be updated and disseminated at least every 15 seconds by a major market data vendor during the time the Notes trade on the Exchange. April 13 Telephone Conference. The intraday information with respect to

settlement price for the Index is also reported on Reuters page GSCI[®] (or any successor or replacement page) on each GSCI Business Day between 4:00 p.m. and 6:00 p.m., New York time.

In light of the rapid development of electronic trading platforms and the potential for significant shifts in liquidity between traditional exchanges and such platforms, the Index Sponsor has undertaken a review of both the procedures for determining the contracts to be included in the GSCI[®], as well as the procedures for evaluating available liquidity on an intra-year basis in order to provide GSCI[®] market participants with efficient access to new sources of liquidity and the potential for more efficient trading. In particular, the Index Sponsor is examining the conditions under which an instrument traded on an electronic platform, rather than a traditional futures contract traded on a traditional futures exchange, should be permitted to be included in the GSCI[®] and how the composition of the GSCI[®] should respond to rapid shifts in liquidity between such instruments and contracts currently included in the GSCI[®]. Any changes made to the GSCI[®] composition or methodology as a result of this examination will be announced by the Index Sponsor and provided in a written statement to any investor upon request to the calculation agent. Barclays will not have any obligation to notify holders of the Notes if the Index Sponsor changes the composition of the GSCI[®], the methodology of calculating the value of the GSCI[®] or any other policies of the Index Sponsor relevant to the Index. However, the Exchange would have to file a proposed rule change pursuant to

the Index reported on Reuters is derived solely from trading prices on the principal trading markets for the various Index components. For example, the Index currently includes contracts traded on ICE Futures (“ICE”) and the London Metal Exchange (the “LME”), both of which are located in London and consequently have trading days that end several hours before those of the U.S.-based markets on which the rest of the Index components are traded. During the portion of the New York trading day when ICE and LME are closed, the last reported prices for Index Components traded on ICE or LME are used to calculate the intraday Index information disseminated on Reuters.

Rule 19b-4,²³ seeking Commission approval to continue trading the Notes. Unless approved for continued listing, the Exchange would commence delisting proceedings.²⁴

Index Disruptions

The Index is determined, calculated and maintained solely by the Index Sponsor. If the Index Sponsor discontinues publication of the Index and it or any other person or entity publishes a substitute index that the calculation agent determines is comparable to the Index and approves as a successor index then the calculation agent will determine the value of the Index on the applicable Valuation Date and the amount payable at maturity or upon redemption by reference to such successor index.

If the calculation agent determines that the publication of the Index is discontinued and that there is no successor index, or that the closing value of the Index is not available because of a market disruption event (as defined below) or for any other reason, on the date on which the value of the Index is required to be determined, or if for any other reason the Index is not available to Barclays or the calculation agent on the relevant date, the calculation agent will determine the amount payable by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index.²⁵

If the calculation agent determines that the Index, the Index components or the method of calculating the Index has been changed at any time in any respect – including any addition, deletion or substitution and any reweighting or rebalancing of Index components, and whether the change is made by the Index Sponsor under its existing policies or following a modification

²³ 17 CFR 240.19b-4.

²⁴ See “Continued Listing Criteria,” *infra*. April 10 Telephone Conference.

²⁵ In such case, the Exchange will file a proposed rule change pursuant to Rule 19b-4 under the Act. Unless approved for continued trading, the Exchange would commence delisting proceedings. See “Continued Listing Criteria,” *infra*. April 10 Telephone Conference.

of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index components, or is due to any other reason – then the calculation agent will be permitted (but not required) to make such adjustments to the Index or method of calculating the Index as it believes are appropriate to ensure that the value of the Index used to determine the amount payable on the maturity date or upon redemption is equitable.²⁶

The Exchange states that all determinations and adjustments to be made by the calculation agent with respect to the value of the Index and the amount payable at maturity or upon redemption or otherwise relating to the value of the Index may be made by the calculation agent in its sole discretion.²⁷

The Policy Committee

The Index Sponsor has established a Policy Committee to assist it with the operation of the GSCI[®].²⁸ The principal purpose of the Policy Committee is to advise the Index Sponsor with respect to, among other things, the calculation of the GSCI[®], the effectiveness of the GSCI[®] as a measure of commodity futures market performance and the need for changes in the composition or the methodology of the GSCI[®]. The Policy Committee acts solely in an advisory and consultative capacity. All decisions with respect to the composition, calculation and operation of the GSCI[®] and the Index are made by the Index Sponsor.

The Policy Committee generally meets in October of each year. Prior to the meeting, the Index Sponsor determines the contracts to be included in the GSCI[®] for the following calendar

²⁶ Id.

²⁷ Id.

²⁸ The component selections for the GSCI would obviously affect the Index. Telephone conference between Florence Harmon, Senior Special Counsel, Division, Commission, and Michael Cavalier, Assistant General Counsel, Exchange, on April 12, 2006 (“April 12 Telephone Conference”).

year and the weighting factors for each commodity. The Policy Committee's members receive the proposed composition of the GSCI[®] in advance of the meeting and discuss the composition at the meeting. The Index Sponsor also consults the Policy Committee on any other significant matters with respect to the calculation and operation of the GSCI[®]. The Policy Committee may, if necessary or practicable, meet at other times during the year as issues arise that warrant its consideration.

The Policy Committee currently consists of eight persons, three of whom are employees of the Index Sponsor or its affiliates and five of whom are not affiliated with the Index Sponsor.²⁹

Composition of the GSCI[®]

In order to be included in the GSCI[®], a contract must satisfy the following eligibility criteria:

- (1) The contract must:
 - be in respect of a physical commodity (rather than a financial commodity);
 - have a specified expiration or term, or provide in some other manner for delivery or settlement at a specified time, or within a specified period, in the future; and

²⁹ The current members of the Policy Committee who are affiliated with the Index Sponsor are Peter O'Hagan, Steven Strongin and Laurie Ferber, each of whom is a Managing Director of Goldman, Sachs & Co. The current non-affiliated members and their affiliations are: Richard Redding (Chicago Mercantile Exchange), Kenneth A. Froot (finance professor at the Harvard Business School), Dan Kelly (Harvard Management Company), Jelle Beenen (PGGM), and Tham Chiew Kit (GIC). As stated, the Policy Committee are subject to written policies with respect to material, non-public information. Telephone conference between Florence Harmon, Senior Special Counsel, Division, Commission, and Michael Cavalier, Assistant General Counsel, Exchange, on April 14, 2006 ("April 14 Telephone Conference with Michael Cavalier").

- at any given point in time, be available for trading at least five months prior to its expiration or such other date or time period specified for delivery or settlement.
- (2) The commodity must be the subject of a contract that:
- is denominated in U.S. dollars; and
 - is traded on or through an exchange, facility or other platform (referred to as a “trading facility”) that has its principal place of business or operations in a country which is a member of the Organization for Economic Cooperation and Development³⁰ and:
 - makes price quotations generally available to its members or participants (and, if the Index Sponsor is not such a member or participant, to the Index Sponsor) in a manner and with a frequency that is sufficient to provide reasonably reliable indications of the level of the relevant market at any given point in time;
 - makes reliable trading volume information available to the Index Sponsor with at least the frequency required by the Index Sponsor to make the monthly determinations;
 - accepts bids and offers from multiple participants or price providers; and
 - is accessible by a sufficiently broad range of participants.

³⁰ The Organization for Economic Cooperation and Development has 30 member countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

- (3) The daily contract reference price for the relevant contract generally must have been available on a continuous basis for at least two years prior to the proposed date of inclusion in the GSCI[®]. In appropriate circumstances, however, the Index Sponsor may determine that a shorter time period is sufficient or that historical daily contract reference prices for such contract may be derived from daily contract reference prices for a similar or related contract. The daily contract reference price may be (but is not required to be) the settlement price or other similar price published by the relevant trading facility for purposes of margining transactions or for other purposes.
- (4) At and after the time a contract is included in the GSCI[®], the daily contract reference price for such contract must be published between 10:00 a.m. and 4:00 p.m., New York time, on each GSCI[®] Business Day relating to such contract by the trading facility on or through which it is traded and must generally be available to all members of, or participants in, such facility (and, if the Index Sponsor is not such a member or participant, to the Index Sponsor) on the same day from the trading facility or through a recognized third-party data vendor. Such publication must include, at all times, daily contract reference prices for at least one expiration or settlement date that is five months or more from the date the determination is made, as well as for all expiration or settlement dates during such five-month period.
- (5) Volume data with respect to such contract must be available for at least the three months immediately preceding the date on which the determination is made.

- (6) A contract that is not included in the GSCI[®] at the time of determination and that is based on a commodity that is not represented in the GSCI[®] at such time must, in order to be added to the GSCI[®] at such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$15 billion. The total dollar value traded is the dollar value of the total quantity of the commodity underlying transactions in the relevant contract over the period for which the calculation is made, based on the average of the daily contract reference prices on the last day of each month during the period.
- (7) A contract that is already included in the GSCI[®] at the time of determination and that is the only contract on the relevant commodity included in the GSCI[®] must, in order to continue to be included in the GSCI[®] after such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$5 billion and at least U.S. \$10 billion during at least one of the three most recent annual periods used in making the determination.
- (8) A contract that is not included in the GSCI[®] at the time of determination and that is based on a commodity on which there are one or more contracts already included in the GSCI[®] at such time must, in order to be added to the GSCI[®] at such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$30 billion.
- (9) A contract that is already included in the GSCI[®] at the time of determination and that is based on a commodity on which there are one or more contracts already included in the GSCI[®] at such time must, in order to continue to be included in the GSCI[®] after such time, have a total dollar value traded, over the relevant period, as

the case may be and annualized, of at least U.S. \$10 billion and at least U.S. \$20 billion during at least one of the three most recent annual periods used in making the determination.

- (10) A contract that is already included in the GSCI[®] at the time of determination must, in order to continue to be included after such time, have a reference percentage dollar weight of at least 0.10%. The reference percentage dollar weight of a contract is determined by multiplying the CPW (defined below) of a contract by the average of its daily contract reference prices on the last day of each month during the relevant period. These amounts are summed for all contracts included in the GSCI[®] and each contract's percentage of the total is then determined.
- (11) A contract that is not included in the GSCI[®] at the time of determination must, in order to be added to the GSCI[®] at such time, have a reference percentage dollar weight of at least 1.00%.
- (12) In the event that two or more contracts on the same commodity satisfy the eligibility criteria, such contracts will be included in the GSCI[®] in the order of their respective total quantity traded during the relevant period (determined as the total quantity of the commodity underlying transactions in the relevant contract), with the contract having the highest total quantity traded being included first, provided that no further contracts will be included if such inclusion would result in the portion of the GSCI[®] attributable to such commodity exceeding a particular level. If additional contracts could be included with respect to several commodities at the same time, that procedure is first applied with respect to the commodity that has the smallest portion of the GSCI[®] attributable to it at the time of determination. Subject

to the other eligibility criteria set forth above, the contract with the highest total quantity traded on such commodity will be included. Before any additional contracts on the same commodity or on any other commodity are included, the portion of the GSCI[®] attributable to all commodities is recalculated. The selection procedure described above is then repeated with respect to the contracts on the commodity that then has the smallest portion of the GSCI[®] attributable to it. Currently, 24 contracts meet the eligibility requirement for inclusion on the GSCI[®].

Contracts Included in the GSCI[®] for 2006, as of March 2, 2006

Trading Facility	Commodity (Contract	Weight
	2006 Reference	
	Price Dollar	
CBOT	Wheat (Chicago Wheat)	2.51%
KCBOT	Wheat (Kansas Wheat)	1.00%
CBOT	Corn	2.35%
CBOT	Soybeans	1.53%
CSCE	Coffee "C"	0.73%
CSCE	Sugar #11	2.06%
CSCE	Cocoa	0.19%
NYBOT	Cotton #2	0.93%
CME	Lean Hogs	1.49%
CME	Cattle (Live Cattle)	2.50%
CME	Cattle (Feeder Cattle)	.68%
NYMEX	Oil (No 2 Heating Oil,	8.28%

	NY)	
ICE	Oil (Gasoil)	4.49%
NYMEX	Oil (Unleaded Reg Gas, NY)	7.55%
NYMEX	Oil (WTI Crude Oil)	30.59%
ICE	Oil (Brent Crude Oil)	14.79%
NYMEX	Natural Gas	7.98%
LME	High Grade Primary Aluminum	3.18%
LME	Copper - Grade A	3.09%
LME	Standard Lead	0.33%
LME	Primary Nickel	0.70%
LME	Special High Grade Zinc	0.88%
COMEX	Gold	1.94%
COMEX	Silver	0.24%

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The quantity of each of the contracts included in the GSCI[®] is determined on the basis of a five-year average (referred to as the “world production average”) of the production quantity of the underlying commodity as published by the United Nations Statistical Yearbook, the Industrial Commodity Statistics Yearbook and other official sources. However, if a commodity is primarily a regional commodity, based on its production, use, pricing, transportation or other factors, the Index Sponsor may calculate the weight of such commodity based on regional, rather than world, production data.

The five-year moving average is updated annually for each commodity included in the GSCI[®], based on the most recent five-year period (ending approximately two years prior to the date of calculation and moving backwards) for which complete data for all commodities is available. The contract production weights (the “CPW”) used in calculating the GSCI[®] are derived from world or regional production averages, as applicable, of the relevant commodities, and are calculated based on the total quantity traded for the relevant contract and the world or regional production average, as applicable, of the underlying commodity.

However, if the volume of trading in the relevant contract, as a multiple of the production levels of the commodity, is below specified thresholds, the CPW of the contract is reduced until the threshold is satisfied. This is designed to ensure that trading in each such contract is sufficiently liquid relative to the production of the commodity.

In addition, the Index Sponsor performs this calculation on a monthly basis and, if the multiple of any contract is below the prescribed threshold, the composition of the GSCI[®] is reevaluated, based on the criteria and weighting procedure described above. This procedure is undertaken to allow the GSCI[®] to shift from contracts that have lost substantial liquidity into more liquid contracts during the course of a given year. As a result, it is possible that the composition or weighting of the GSCI[®] will change on one or more of these monthly Valuation Dates. In addition, regardless of whether any changes have occurred during the year, the Index Sponsor reevaluates the composition of the GSCI[®] at the conclusion of each year, based on the above criteria. Other commodities that satisfy such criteria, if any, will be added to the GSCI[®]. Commodities included in the GSCI[®] which no longer satisfy such criteria, if any, will be deleted.

The Index Sponsor also determines whether modifications in the selection criteria or the methodology for determining the composition and weights of and for calculating the GSCI[®] are

necessary or appropriate in order to assure that the GSCI[®] represents a measure of commodity market performance. The Index Sponsor has the discretion to make any such modifications.

Contract Expirations

Because the GSCI[®] is comprised of actively traded contracts with scheduled expirations, it can only be calculated by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as “contract expirations.” The contract expirations included in the GSCI[®] for each commodity during a given year are designated by the Index Sponsor, provided that each such contract must be an “active contract.” An “active contract” for this purpose is a liquid, actively traded contract expiration, as defined or identified by the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry. The relative liquidity of the various active contracts is one of the factors that may be taken into consideration in determining which of them the Index Sponsor includes in the GSCI (and thus the Index).

If a trading facility deletes one or more contract expirations, the GSCI[®] will be calculated during the remainder of the year in which such deletion occurs on the basis of the remaining contract expirations designated by the Index Sponsor. If a trading facility ceases trading in all contract expirations relating to a particular contract, the Index Sponsor may designate a replacement contract on the commodity. The replacement contract must satisfy the eligibility criteria for inclusion in the GSCI[®]. To the extent practicable, the replacement will be effected during the next monthly review of the composition of the index. If that timing is not practicable, the Index Sponsor will determine the date of the replacement and will consider a number of factors, including the differences between the existing contract and the replacement contract with respect to contractual specifications and contract expirations.

Value of the GSCI[®]

The value of the GSCI[®] on any given day is equal to the total dollar weight of the GSCI[®] divided by a normalizing constant that assures the continuity of the GSCI[®] over time. The total dollar weight of the GSCI[®] is the sum of the dollar weight of each index component. The dollar weight of each such index component on any given day is equal to:

- the daily contract reference price,
- multiplied by the appropriate CPWs, and
- during a roll period, the appropriate “roll weights” (discussed below).

The daily contract reference price used in calculating the dollar weight of each index component on any given day is the most recent daily contract reference price made available by the relevant trading facility, except that the daily contract reference price for the most recent prior day will be used if the exchange is closed or otherwise fails to publish a daily contract reference price on that day. In addition, if the trading facility fails to make a daily contract reference price available or publishes a daily contract reference price that, in the reasonable judgment of the Index Sponsor, reflects manifest error, the relevant calculation will be delayed until the price is made available or corrected. However, if the price is not made available or corrected by 4:00 p.m. New York time, the Index Sponsor, if it deems such action to be appropriate under the circumstances, will determine the appropriate daily contract reference price for the applicable futures contract in its reasonable judgment for purposes of the relevant GSCI[®] calculation.³¹

Contract Daily Return

³¹ If such actions by the Index Sponsor are implemented on more than a temporary basis, the Exchange will contact the Commission Staff and, as necessary, file a proposed rule change pursuant to Rule 19b-4 seeking Commission approval to continue to trade the Shares. Unless approved for continued trading, the Exchange would commence delisting proceedings. See “Continued Listing Criteria,” infra. April 10 Telephone Conference.

The contract daily return on any given day is equal to the sum, for each of the commodities included in the GSCI[®], of the applicable daily contract reference price on the relevant contract multiplied by the appropriate CPW and the appropriate “roll weight,” divided by the total dollar weight of the GSCI[®] on the preceding day, minus one.

The “roll weight” of each commodity reflects the fact that the positions in contracts must be liquidated or rolled forward into more distant contract expirations as they approach expiration. If actual positions in the relevant markets were rolled forward, the roll would likely need to take place over a period of days. Since the GSCI[®] is designed to replicate the performance of actual investments in the underlying contracts, the rolling process incorporated in the GSCI[®] also takes place over a period of days at the beginning of each month (referred to as the “roll period”). On each day of the roll period, the “roll weights” of the first nearby contract expirations on a particular commodity and the more distant contract expiration into which it is rolled are adjusted, so that the hypothetical position in the contract on the commodity that is included in the GSCI[®] is gradually shifted from the first nearby contract expiration to the more distant contract expiration.

If on any day during a roll period any of the following conditions exists, the portion of the roll that would have taken place on that day is deferred until the next day on which such conditions do not exist:

- no daily contract reference price is available for a given contract expiration;
- any such price represents the maximum or minimum price for such contract month, based on exchange price limits (referred to as a “Limit Price”);
- the daily contract reference price published by the relevant trading facility reflects manifest error, or such price is not published by 4:00 p.m., New York time. In

that event, the Index Sponsor may, but is not required to, determine a daily contract reference price and complete the relevant portion of the roll based on such price; provided, that, if the trading facility publishes a price before the opening of trading on the next day, the Index Sponsor will revise the portion of the roll accordingly; or

- trading in the relevant contract terminates prior to its scheduled closing time.

If any of these conditions exist throughout the roll period, the roll with respect to the affected contract, will be effected in its entirety on the next day on which such conditions no longer exist.

Value of the Index

The Exchange now describes the value of the Index (as opposed to the above description of the GSCI) which the Notes are designed to track. The value of the Index on any GSCI Business Day is equal to the product of (1) the value of the Index on the immediately preceding GSCI Business Day multiplied by (2) one plus the sum of the contract daily return and the Treasury Bill return on the GSCI Business Day on which the calculation is made multiplied by (3) one plus the Treasury Bill return for each non-GSCI Business Day since the immediately preceding GSCI Business Day. The Treasury Bill return is the return on a hypothetical investment in the GSCI[®] at a rate equal to the interest rate on a specified U.S. Treasury Bill. The initial value of the GSCI[®] was normalized such that the hypothetical level of the Index on January 2, 1970 was 100.

Historical Performance

While the following historical performance table is based on the selection criteria and methodology described herein, the Index was not actually calculated and published prior to May 1, 1991. Accordingly, the following table illustrates:

- (i) on a hypothetical basis, how the Index would have performed from January 2, 1970 to January 2, 1991 based on the selection criteria and methodology described above; and
- (ii) on an actual basis, how the Index has performed from January 2, 1992 onwards.

January 2, 1970	100.00
January 4, 1971	115.78
January 3, 1972	138.90
January 2, 1973	198.45
January 2, 1974	354.32
January 2, 1975	478.50
January 2, 1976	400.02
January 3, 1977	351.05
January 3, 1978	390.02
January 2, 1979	515.25
January 2, 1980	692.40
January 2, 1981	764.66
January 4, 1982	593.61
January 3, 1983	657.98
January 3, 1984	747.23

January 3, 1985	760.67
January 2, 1986	833.67
January 2, 1987	868.83
January 4, 1988	1,105.18
January 3, 1989	1,371.33
January 2, 1990	1,937.46
January 2, 1991	2,346.03
January 2, 1992	2,304.20
January 4, 1993	2,371.27
January 3, 1994	2,111.22
January 3, 1995	2,185.21
January 2, 1996	2,711.25
January 2, 1997	3,591.15
January 2, 1998	3,019.39
January 4, 1999	1,992.32
January 3, 2000	2,766.77
January 2, 2001	4,022.43
January 2, 2002	2,891.27
January 2, 2003	3,819.38
January 2, 2004	4,520.70
January 3, 2005	5,173.25
January 3, 2006	6,729.99

The historical performance of the Index should not be taken as an indication of future performance, and no assurance can be given that the value of the Index will increase sufficiently to cause holders of the Note receive a payment at maturity or upon redemption equal to or in excess of the principal amount of such Notes.

Continued Listing Criteria

The Exchange prohibits the initial and/or continued listing of any security that is not in compliance with Rule 10A-3 under the Act.³²

The Exchange will delist the Notes:

- If, following the initial twelve month period from the date of commencement of trading of the Notes, the Notes have more than 60 days remaining until maturity and (i) there are fewer than 50 beneficial holders of the Notes for 30 or more consecutive trading days; (ii) if fewer than 50,000 Notes remain issued and outstanding; or (iii) if the market value of all outstanding Notes is less than \$1,000,000;
- If the Index value ceases to be calculated or available during the time the Notes trade on the Exchange on at least every 15 second basis through one or more major market data vendors;³³
- If, during the time the Notes trade on the Exchange, the Indicative Value ceases to be available on a 15 second delayed basis; or

³² 17 CFR 240.10A-3; see also 15 U.S.C. 78a.

³³ The Exchange confirmed that the Index value (along with the GSCI index value) will be disseminated at least every 15 seconds by one or more major market data vendors during the time the Notes trade on the Exchange. The Exchange also confirmed these indexes have daily settlement values that are widely disclosed. April 13 Telephone Conference.

- If such other event shall occur or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable.

Additionally, the Exchange will file a proposed rule change pursuant to Rule 19b-4 under the Act³⁴ seeking approval to continue trading the Notes and unless approved, the Exchange will commence delisting the Notes if:

- The Index Sponsor substantially changes either the Index component selection methodology or the weighting methodology;
- If a new component is added to the Index (or pricing information is used for a new or existing component) that constitutes more than 10% of the weight of the Index with whose principal trading market the Exchange does not have a comprehensive surveillance sharing agreement;³⁵ or
- If a successor or substitute index is used in connection with the Notes. The filing will address, among other things the listing and trading characteristics of the successor or substitute index and the Exchange's surveillance procedures applicable thereto.

Trading Rules

The Exchange's existing equity trading rules will apply to trading of the Notes. The Notes will trade between the hours of 9:30 a.m. and 4:00 p.m. New York time and will be subject to the equity margin rules of the Exchange.³⁶

³⁴ 17 CFR 240.19b-4.

³⁵ April 10 Telephone Conference.

³⁶ See NYSE Rule 431.

(1) Trading Halts

The Exchange will cease trading the Notes if there is a halt or disruption in the dissemination of the Index value or the Indicative Value.³⁷ The Exchange will also cease trading the Notes if a “market disruption event” occurs that is of more than a temporary nature.³⁸ In the event that the Exchange is open for business on a day that is not a GSCI Business Day, the Exchange will not permit trading of the Notes on that day.

(2) Specialist Trading Obligations

Pursuant to new Supplementary Material .10 to NYSE Rule 1301B, the provisions of NYSE Rules 1300B(b) and 1301B would be applied to certain securities listed on the Exchange pursuant to Section 703.19 (“Other Securities”) of the Exchange’s Manual. Specifically, NYSE Rules 1300B(b) and 1301B will apply to securities listed under Section 703.19 of the Manual where the price of such securities is based in whole or part on the price of (a) a commodity or commodities; (b) any futures contracts or other derivatives based on a commodity or commodities; or (c) any index based on either (a) or (b) above.

As a result of application of NYSE Rule 1300B(b), the specialist in the Notes, the specialist’s member organization and other specified persons will be prohibited under paragraph (m) of NYSE Rule 105 Guidelines from acting as market maker or functioning in any capacity involving market-making responsibilities in the Index components, the commodities underlying the Index components, or options, futures or options on futures on the Index, or any other derivatives (collectively, “derivative instruments”) based on the Index or based on any Index

³⁷ In the event the Index value or Indicative Value is no longer calculated or disseminated, the Exchange would immediately contact the Commission to discuss measures that may be appropriate under the circumstances.

³⁸ In the event a “market disruption event” occurs that is of more than a temporary nature, the Exchange would immediately contact the Commission to discuss measures that may be appropriate under the circumstances.

component or any physical commodity underlying an Index component. If the member organization acting as specialist in the Notes is entitled to an exemption under NYSE Rule 98 from paragraph (m) of NYSE Rule 105 Guidelines, then that member organization could act in a market making capacity in the Index components, the commodities underlying the Index components, or derivative instruments based on the Index or based on any Index component or commodity underlying an Index component, other than as a specialist in the Notes themselves, in another market center.

Under NYSE Rule 1301B(a), the member organization acting as specialist in the Notes (1) will be obligated to conduct all trading in the Notes in its specialist account, (subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange), (2) will be required to file with the Exchange and keep current a list identifying all accounts for trading in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, which the member organization acting as specialist may have or over which it may exercise investment discretion, and (3) will be prohibited from trading in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, in an account in which a member organization acting as specialist, controls trading activities which have not been reported to the Exchange as required by NYSE Rule 1301B.

Under NYSE Rule 1301B(b), the member organization acting as specialist in the Notes will be required to make available to the Exchange such books, records or other information pertaining to transactions by the member organization and other specified persons for its or their

own accounts in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, as may be requested by the Exchange. This requirement is in addition to existing obligations under Exchange rules regarding the production of books and records.

Under NYSE Rule 1301B(c), in connection with trading the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, the specialist could not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components.

Surveillance

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Notes and the Index components. The Exchange will rely upon existing NYSE surveillance procedures governing equities with respect to surveillance of the Notes. The Exchange believes that these procedures are adequate to monitor Exchange trading of the Notes and to detect violations of Exchange rules, consequently deterring manipulation. In this regard, the Exchange currently has the authority under NYSE Rule 476 to request the Exchange specialist in the Notes to provide NYSE Regulation with information that the specialist uses in connection with pricing the Notes on the Exchange, including specialist proprietary or other information regarding securities, commodities, futures, options on futures or other derivative instruments. The

Exchange believes it also has authority to request any other information from its members – including floor brokers, specialists and “upstairs” firms – to fulfill its regulatory obligations.

With regard to the Index components, the Exchange can obtain market surveillance information, including customer identity information, with respect to transactions occurring on the New York Mercantile Exchange (“NYMEX”), the Kansas City Board of Trade, ICE, and the LME, pursuant to its comprehensive information sharing agreements with each of those exchanges. All of the other trading venues on which current Index components are traded are members of the Intermarket Surveillance Group (“ISG”), and the Exchange therefore has access to all relevant trading information with respect to those contracts without any further action being required on the part of the Exchange. All these surveillance arrangements constitute comprehensive surveillance sharing arrangements.³⁹

Suitability

Pursuant to NYSE Rule 405, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Notes.⁴⁰ With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees thereof recommending a transaction in the Notes: (1) to determine that such transaction is suitable for the customer, and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of, such transaction.

³⁹ April 14 Telephone Conference with John Carey.

⁴⁰ NYSE Rule 405 requires that every member, member firm or member corporation use due diligence to learn the essential facts relative to every customer and to every order or account accepted.

Information Memorandum

The Exchange will, prior to trading the Notes, distribute an information memorandum to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes. The information memorandum will note to members language in the prospectus used by Barclays in connection with the sale of the Notes regarding prospectus delivery requirements for the Notes. Specifically, in the initial distribution of the Notes,⁴¹ and during any subsequent distribution of the Notes, NYSE members will deliver a prospectus to investors purchasing from such distributors.⁴²

The information memorandum will discuss the special characteristics and risks of trading this type of security. Specifically, the information memorandum, among other things, will discuss what the Notes are, how the Notes are redeemed, applicable Exchange rules, dissemination of information regarding the Index value and the Indicative Value, trading information and applicable suitability rules.

The information memorandum will also notify members and member organizations about the procedures for redemptions of Notes and that Notes are not individually redeemable but are redeemable only in aggregations of at least 50,000 Notes.

The information memorandum will also reference the fact that there is no regulated source of last sale information regarding physical commodities and that the SEC has no jurisdiction over the trading of physical commodities such as aluminum, gold, crude oil, heating

⁴¹ The Registration Statement reserves the right to do subsequent distributions of these Notes.

⁴² April 10 Telephone Conference.

oil, corn and wheat, or the futures contracts on which the value of the Notes is based, and that the CFTC has no regulatory jurisdiction over the trading of certain foreign based futures contracts.⁴³

The information memorandum will also discuss other exemptive or no-action relief under the Act provided by the Commission staff.⁴⁴

2. Statutory Basis

The Exchange believes that the basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)⁴⁵ that an exchange have rules that are designed 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, as amended, 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. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds

⁴³ April 14 Telephone Conference with John Carey.

⁴⁴ April 10 Telephone Conference.

⁴⁵ 15 U.S.C. 78f(b)(5).

such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the NYSE consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.⁴⁶

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-2006-20 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.

⁴⁶ The NYSE has requested accelerated approval of this proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof, following the conclusion of a 15-day comment period. April 10 Telephone Conference.

All submissions should refer to File Number SR-NYSE-2006-20. 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-2006-20 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴⁷

Nancy M. Morris
Secretary

⁴⁷ 17 CFR 200.30-3(a)(12).