

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55985; File No. SR-NYSEArca-2007-47)

June 29, 2007

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change to List and Trade Shares of the iShares FTSE EPRA/NAREIT Asia Index Fund

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 16, 2007, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”), through its wholly owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

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

The Exchange proposes to list and trade shares (“Shares”) of the iShares®<sup>3</sup> FTSE EPRA/NAREIT Asia Index Fund (“Fund”) of the iShares Trust (“Trust”) pursuant to NYSE Arca Equities Rule 5.2(j)(3). The text of the proposed rule change is available on the Exchange’s Web site at <http://www.nyse.com>, at the Exchange’s principal office, and at the Commission’s Public Reference Room.

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

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

<sup>3</sup> “iShares” is a registered trademark of Barclays Global Investors, N.A.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to list Shares of the Fund. The Trust is an open-end management company with over 100 separate investment portfolios and is registered under the Investment Company Act of 1940 (“1940 Act”).<sup>4</sup> The Fund would seek investment results that correspond generally to the price and yield performance, before fees and expenses, of the FTSE EPRA/NAREIT Asia Index (“Underlying Index” or “Index”). The Underlying Index measures the stock performance of companies engaged in the ownership and development of the Asian real estate market. Because all of the securities included in the Underlying Index are issued by companies engaged in the ownership and development of the Asian real estate market, the Fund would always be concentrated in the Asian real estate industry. The Fund would only concentrate its investments in a particular industry or group of industries to approximately the same extent as the Index is so concentrated.

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<sup>4</sup> See Post-Effective Amendment No. 78 to the Trust’s Registration Statement on Form N-1A, as filed with the Commission on April 23, 2007 and accompanying Statement of Additional Information (“SAI”) (File Nos. 333-92935 and 811-09729) (“Registration Statement”). The Trust was established as a Delaware statutory trust on December 16, 1999.

Under NYSE Arca Equities Rule 5.2(j)(3), the Exchange may list and/or trade “Investment Company Units” (“ICUs”)<sup>5</sup> pursuant to unlisted trading privileges (“UTP”). The Fund does not meet the “generic” listing requirements of NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of ICUs based on international or global indexes adopted pursuant to Rule 19b-4(e) under the Act,<sup>6</sup> and thus cannot be listed without a filing made pursuant to Rule 19b-4 under the Act. Specifically, the Underlying Index does not meet the requirement of Commentary .01(a)(B)(2) to NYSE Arca Equities Rule 5.2(j)(3) that, for component stocks that in the aggregate account for at least 90% of the weight of the Underlying Index, each of such stocks must have a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares.<sup>7</sup>

The Exchange notes that the Commission has previously approved an exchange rule for the trading of funds based upon indexes that did not meet the six month volume requirement.<sup>8</sup>

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<sup>5</sup> See Securities Exchange Act Release Nos. 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (approving, among other things, the listing and trading of ICUs); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (approving generic listing standards for ICUs); and 55621 (April 12, 2007), 72 FR 19571 (April 18, 2007) (SR-NYSEArca-2006-86) (approving generic listing standards for ICUs based on international or global indexes).

<sup>6</sup> 17 CFR 240.19b-4(e).

<sup>7</sup> Component stocks in the aggregate accounting for 89.3% of the weight of the Underlying Index had a minimum worldwide monthly trading volume during each of the last six months of at least 250,000 shares, as of May 2, 2007. Source: Bloomberg.

<sup>8</sup> See Securities and Exchange Act Release No. 46306 (August 2, 2002), 67 FR 51916 (August 9, 2002) (SR-NYSE-2002-28) (approving the following funds for trading under unlisted trading privileges on the New York Stock Exchange (“NYSE”): (1) Vanguard Total Stock Market VIPERs; (2) iShares Russell 2000 Index Funds; (3) iShares Russell 2000 Value Index Funds; and (4) iShares Russell 2000 Growth Index Fund.)

## Operation of the Fund

Barclays Global Fund Advisors (“BGFA”), a subsidiary of Barclays Global Investors, N.A. (“BGI”), would be the investment adviser (“Advisor”) to the Fund. The Advisor is registered as an investment adviser under Section 203 of the Investment Advisers Act of 1940 (“Advisers Act”).<sup>9</sup> As the Advisor, BGFA would have overall responsibility for the general management and administration of the Trust. BGFA would provide an investment program for the Fund and would manage the investment of the Fund’s assets. In seeking to achieve a Fund’s investment objective, BGFA would use teams of portfolio managers, investment strategists, and other investment specialists. BGFA would also arrange for transfer agency, custody, fund administration, and all other non-distribution-related services necessary for the Fund to operate. While the Fund would be managed by the Advisor or portfolio manager, the Trust’s Board of Trustees would have responsibility for the overall management and operations of the Fund.

## The Index Provider

FTSE International Limited (“FTSE”) (“Index Provider”) is the provider of the Index. FTSE is an independent company whose sole business is the creation and management of indices and associated data services. FTSE is a joint venture between The Financial Times and the London Stock Exchange and “FTSE™” is a trademark owned jointly by the London Stock Exchange plc and The Financial Times Limited. FTSE calculates over 60,000 indices daily, including more than 600 real-time indices. “NAREIT®” is a trademark of National Association of Real Estate Investment Trusts (“NAREIT”). Both the FTSE and NAREIT trademarks are used by FTSE under license. “EPRA®” is the trademark of the European Public Real Estate Association (“EPRA”). FTSE is neither a registered broker dealer nor is it affiliated with the

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<sup>9</sup> 15 U.S.C. 80b.

Trust, BGFA, or its affiliates, or SEI Investments Distribution Co. (“SEI”), the distributor of the Fund (as discussed below).<sup>10</sup> BGI has entered into a license agreement with FTSE to use the Underlying Index and is sub-licensing rights in the Underlying Index to the Trust at no charge.

#### Administrator, Custodian, and Transfer Agent

Investors Bank & Trust Company (“Investors Bank”) would serve as administrator, custodian, and transfer agent for the Fund (“Administrator”). Under the Administration Agreement with the Trust, the Administrator would provide necessary administrative, legal, tax, accounting, and financial reporting services for the maintenance and operations of the Trust and the Fund. Under the Custodian Agreement with the Trust, the Administrator would maintain cash, securities, and other assets of the Trust and the Fund and would keep all necessary accounts and records. The Administrator would be required to deliver securities held by the Administrator and make payments for securities purchased by the Trust for the Fund. Also, under a Delegation Agreement, the Administrator may appoint certain foreign custodians or foreign custody managers for Fund investments outside the United States. Pursuant to a Transfer Agency and Service Agreement with the Trust, the Administrator would act as a transfer agent for the Fund’s authorized and issued shares of beneficial interest, and as dividend disbursing agent of the Trust.

#### The Distributor

SEI would be the distributor of shares of the Trust (“Distributor”). The Distributor has entered into a Distribution Agreement with the Trust pursuant to which it would distribute Shares of the Fund. Shares would be offered continuously for sale by the Fund through the Distributor

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<sup>10</sup> See e-mail on June 28, 2007 from Tim Malinowski, Director, NYSE Group, Inc. to Mitra Mehr, Special Counsel, Division of Market Regulation (“Division”), Commission (“June 28<sup>th</sup> E-mail”).

only in Creation Unit Aggregations (as described more fully below). Shares in less than Creation Unit Aggregations would not be distributed by the Distributor. The Distributor would deliver the prospectus and, upon request, the Statement of Additional Information (“SAI”) to persons purchasing Creation Unit Aggregations and would maintain records of both orders placed with it and confirmations of acceptance furnished by it. The Distributor is a broker-dealer registered under the Act and a member of NASD.

The Fund intends to qualify as a “regulated investment company” (“RIC”) under the Internal Revenue Code (“Code”). The Fund must, among other things, meet certain diversification tests imposed by the Code to satisfy RIC requirements.<sup>11</sup>

#### Description of the Fund and the Underlying Index

The Underlying Index is sponsored by the Index Provider. The Index Provider determines the relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.

The Advisor would use a “passive” or “indexing” approach to try to achieve the Fund’s investment objective. The Fund would not try to “beat” the index it tracks and would not seek temporary defensive positions when markets decline or appear overvalued. Indexing eliminates the chance that the Fund may substantially outperform the Underlying Index, but also may

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<sup>11</sup> Among these is a requirement that, at the close of each quarter of the Fund’s taxable year: (i) at least 50% of the market value of the Fund’s total assets must be represented by cash items, U.S. government securities, securities of other RICs, and other securities, with such other securities limited for the purpose of this calculation with respect to any one issuer to an amount not greater than 5% of the value of the Fund’s assets and not greater than 10% of the outstanding voting securities of such issuer; and (ii) not more than 25% of the value of its total assets may be invested in securities of any one issuer, or two or more issuers that are controlled by the Fund (within the meaning of Section 851(b)(4)(B) of the Code) and that are engaged in the same or similar trades or business (other than U.S. government securities or other RICs).

eliminate some of the risk of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

The Fund would invest at least 90% of its assets in the securities of its Underlying Index or in American Depositary Receipts, Global Depositary Receipts or European Depositary Receipts representing securities in the Underlying Index. The Fund may invest the remainder of its assets in securities not included in the Underlying Index, but which the Advisor believes would help the Fund track the Underlying Index. For example, the Fund may invest in securities not included in the Underlying Index to reflect various corporate actions (such as mergers) and other changes in the Underlying Index (such as reconstitutions, additions, and deletions). The Fund also may invest its other assets in futures contracts or other derivatives related to the Underlying Index, as well as cash and cash equivalents, including shares of money market funds affiliated with the Advisor. The Advisor would use a representative sampling indexing strategy for the Fund.<sup>12</sup>

The Advisor expects that, over time, the correlation between the Fund's performance and that of the Underlying Index, before fees and expenses, would be 95% or better. A correlation percentage of 100% would indicate perfect correlation. The difference between 100% correlation and the Fund's actual percentage correlation with the Underlying Index is called

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<sup>12</sup> "Representative sampling" is an indexing strategy that involves investing in a representative sample of the securities, included in the Underlying Index, that collectively have an investment profile similar to the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation, and yield), and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities that are included in the Underlying Index.

“tracking error.” The Fund’s use of a representative sampling indexing strategy can be expected to result in greater tracking error than if the Fund used a replication indexing strategy.

“Replication” is an indexing strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

The Underlying Index is included in the FTSE EPRA/NAREIT Global Real Estate Index Series (“FTSE EPRA/NAREIT Indices”). The FTSE EPRA/NAREIT Indices are primarily rule-based, but are also monitored by the applicable regional FTSE EPRA/NAREIT Global Index Advisory Committees. FTSE EPRA/NAREIT defines the Global Real Estate market as: North America (including Canada and the United States), Europe (including Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom (including the Channel Islands)) and Asia (including Australia, Hong Kong, Japan, New Zealand, South Korea, and Singapore). In determining geographic allocations, FTSE EPRA/NAREIT primarily considers the REIT’s country of incorporation and listing. The FTSE EPRA/NAREIT Indices are free float-adjusted market capitalization weighted.

To qualify for inclusion in the FTSE EPRA/NAREIT Indices, a company must be a closed-end company and listed on an official stock exchange and meet certain trading volume requirements as determined by FTSE EPRA/NAREIT.<sup>13</sup> Also, companies must meet geographic financial standards demonstrating that a majority of a company’s earnings or bulk of total assets is the result of real estate activity as determined by FTSE EPRA/NAREIT. Relevant real estate activities are defined as the ownership, trading and development of income-producing real estate.

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<sup>13</sup> All securities in the Index are listed on exchanges with last-sale reporting. See e-mail on June 13, 2007 from Tim Malinowski, Director, NYSE Group, Inc. to Mitra Mehr, Special Counsel, Division, Commission (“June 13<sup>th</sup> E-mail”).

The components of the FTSE EPRA/NAREIT Indices are generally required to meet the following criteria where applicable: to be added to the Index, at the quarterly review, non-components must have an investable market capitalization equal to or greater than the amounts as determined by FTSE EPRA/NAREIT.<sup>14</sup> An existing component of the FTSE EPRA/NAREIT Indices would be removed from the Indices unless it has an investable market capitalization above certain thresholds determined by FTSE EPRA/NAREIT.

Under normal circumstances, the quarterly review occurs on the Wednesday following the first Friday of March, June, September and December, using data from the close of business on the first Friday of March, June, September and December. Adjustments in stock weightings and components resulting from the periodic assessment become effective on the next trading day following the third Friday of March, June, September and December.

In between reviews, a new issue with an investable market capitalization (i.e., after the application of investability weightings) of equal or greater than the amounts as determined by FTSE EPRA/NAREIT for the respective region would be included into the FTSE EPRA/NAREIT Indices after the close of business on the first day of trading of the new issue.

The FTSE EPRA/NAREIT Indices are calculated in real time and generally published throughout the business day, and distributed primarily through international data vendors. Daily values are also made available to major newspapers and can be found at the FTSE Web site and the EPRA Web site. The FTSE EPRA/NAREIT Indices are published and calculated using trading values (real-time throughout the day, and closing values at the end of the day) and WM/Reuters Closing Spot Rates for currency values. The Fund would issue and redeem, on a

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<sup>14</sup> See June 13<sup>th</sup> E-mail.

continuous basis, shares at its net asset value (“NAV”) only in blocks of 50,000 shares or multiples thereof (each, a “Creation Unit” or a “Creation Unit Aggregation”).

Only certain large institutional investors known as Authorized Participants (as defined below) may purchase or redeem Creation Units directly with the Fund at the NAV. These transactions are usually in exchange for a basket of securities similar to the Fund’s portfolio and an amount of cash. Except when aggregated in Creation Units, Shares of the Fund are not redeemable securities. Shareholders who are not Authorized Participants may not redeem shares directly from the Fund.

The Fund would impose a purchase transaction fee and a redemption transaction fee to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units. Purchasers and redeemers of Creation Units for cash are required to pay an additional variable charge to compensate for brokerage and market impact expenses. The creation and redemption transaction fees for creations and redemptions in-kind for the Fund are described in the Fund’s prospectus.

All orders to purchase Shares of the Fund in Creation Units must be placed with the Distributor by or through an “Authorized Participant,” which is either: (i) a “Participating Party,” i.e., a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation (“NSCC”), a clearing agency that is registered with the Commission (“Clearing Process”); or (ii) a Depository Trust Company (“DTC”) Participant that has executed a “Participant Agreement” with the Distributor.

#### Consideration for Purchase of Creation Units

The consideration for purchase of Creation Unit Aggregations of the Fund generally consists of the in-kind deposit of a designated portfolio of equity securities, the Deposit

Securities, which constitutes a substantial replication, or a portfolio sampling representation, of the stocks included in the Fund's Underlying Index and an amount of cash ("Cash Component") computed as described below. Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit Aggregation.

The Cash Component is sometimes also referred to as the "Balancing Amount." The Cash Component serves the function of compensating for any difference between the NAV per Creation Unit Aggregation and the Deposit Amount. The Cash Component is an amount equal to the difference between the NAV of the shares (per Creation Unit Aggregation) and the "Deposit Amount," which is an amount equal to the market value of the Deposit Securities. If the Cash Component is a positive number (i.e., the NAV per Creation Unit Aggregation exceeds the Deposit Amount), the creator would deliver the Cash Component. If the Cash Component is a negative number (i.e., the NAV per Creation Unit Aggregation is less than the Deposit Amount), the creator would receive the Cash Component. Computation of the Cash Component excludes any stamp duty or other similar fees and expenses payable upon transfer of beneficial ownership of the Deposit Securities, which shall be the sole responsibility of the Authorized Participant.

BGFA, through the NSCC, makes available on each business day, prior to 9:30 a.m. Eastern Time, the list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous business day) for the Fund. Such Deposit Securities are applicable, subject to any adjustments as described below, to effect creations of Creation Unit Aggregations of the Fund until such time as the next-announced composition of the Deposit Securities is made available. The identity and

number of shares of the Deposit Securities required for the Fund Deposit changes as rebalancing adjustments and corporate action events are reflected from time to time by BGFA with a view to the investment objective of the Fund. The composition of the Fund may also change in response to adjustments to the weighting or composition of the component securities of 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 Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the systems of DTC or the Clearing Process. 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 would reflect changes known to BGFA on the date of announcement to be in effect by the time of delivery of the Fund Deposit, in the composition of the Underlying Index or resulting from certain corporate actions.

#### Redemption of Shares in Creation Units

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 Investors Bank and only on a business day. The Fund would not redeem Shares in amounts less than Creation Unit Aggregations. A beneficial owner must accumulate enough Shares in the secondary market to constitute a Creation Unit Aggregation to have such Shares redeemed by the Trust. There can be no assurance, however, that there would be sufficient liquidity in the public

trading market at any time to permit assembly of a Creation Unit Aggregation. Investors should expect to incur brokerage and other costs in connection with assembling a sufficient number of Shares to constitute a redeemable Creation Unit Aggregation.

With respect to the Fund, BGFA, through the NSCC and the Distributor, would make available immediately prior to 9:30 a.m. Eastern Time on each business day, the identity of the Fund securities that would be applicable (subject to possible amendment or correction) to redemption requests received in proper form 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 the Fund, the redemption proceeds for a Creation Unit Aggregation would 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 (“Cash Redemption Amount”), less a redemption transaction fee as described below. If the Fund Securities have a value greater than the NAV of the Shares, a compensating cash payment equal to the difference must be made by or through an Authorized Participant by the redeeming shareholder.

Redemptions of shares for Fund Securities would be subject to compliance with applicable federal and state securities laws and the Fund (whether or not it otherwise permits cash redemptions) reserves the right to redeem Creation Unit Aggregations for cash to the extent that the Trust could not lawfully deliver specific Fund Securities upon redemptions or could not do so without first registering the Fund Securities under such laws. An Authorized Participant or an investor for which it is acting subject to a legal restriction with respect to a particular stock

included in the Fund Securities applicable to the redemption of a Creation Unit Aggregation, may be paid an equivalent amount of cash. This would specifically prohibit delivery of Fund Securities that are not registered in reliance upon Rule 144A under the Securities Act of 1933 (“Securities Act”) to a redeeming beneficial owner that is not a “qualified institutional buyer,” as such term is defined under Rule 144A of the Securities Act. The Authorized Participant may request the redeeming beneficial owner of the shares to complete an order form or to enter into agreements with respect to such matters as compensating cash payment.

The right of redemption may be suspended or the date of payment postponed for the Fund: (i) for any period during which the Exchange is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the Exchange is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the shares of the Fund or determination of the Fund’s NAV is not reasonably practicable; or (iv) in such other circumstances as is permitted by the Commission.

#### Dividends and Distributions

Dividends from net investment income, if any, would be declared and paid at least annually by the Fund. Distributions of net realized securities gains, if any, generally would be declared and paid once a year, but the Trust may make distributions on a more frequent basis for the Fund. 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 the Fund as a RIC or to avoid imposition of income or excise taxes on undistributed income.

Dividends and other distributions on shares would be distributed on a pro-rata basis to beneficial owners of such shares. Dividend payments would be made through DTC Participants to beneficial owners then of record with proceeds received from the Fund.

### Dividend Reinvestment Service

No dividend reinvestment service would be provided by the Trust. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by beneficial owners of the Fund 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 would be automatically reinvested in additional whole shares of the Fund purchased in the secondary market.

### Availability of Information Regarding Shares and Underlying Index

The Advisor, through the NSCC, would make available on each business day, prior to 9:30 a.m. Eastern Time, a list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous business day) for the Fund.

Additional information regarding the indicative value of shares of the Fund, also known as the “indicative optimized portfolio value” (“IOPV”), would be disseminated at least every 15 seconds through the Consolidated Tape from 9:30 a.m. to 4:15 p.m. Eastern Time by the Exchange or a major market data vendor. If the IOPV does not change during the Exchange’s Opening Session or Late Trading Session, then the last official calculated IOPV would remain available to investors.<sup>15</sup> The IOPV does not necessarily reflect the precise composition of the

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<sup>15</sup> See e-mail on June 21, 2007 from Andrew Stevens, Assistant General Counsel, NYSE Group, Inc. to Mitra Mehr, Special Counsel, Division, Commission. All of the exchanges on which the underlying components of the Index trade will be closed during the Exchange’s Opening Session. See June 13<sup>th</sup> E-mail.

current portfolio of securities held by the Fund at a particular point in time or the best possible valuation of the current portfolio. Therefore, the IOPV should not be viewed as a “real-time” update of the NAV, which is computed only once a day. The IOPV is generally determined by using both current market quotations and/or price quotations obtained from broker-dealers that may trade in the portfolio securities held by the Fund.

According to the Fund’s Registration Statement, Investors Bank would calculate the NAV for the Fund generally once daily Monday through Friday generally as of the regularly scheduled close of business of the NYSE (normally 4:00 p.m. Eastern Time) on each day that the NYSE is open for trading, based on prices at the time of closing, provided that: (i) any assets or liabilities denominated in currencies other than the U.S. dollar shall be translated into U.S. dollars at the prevailing market rates on the date of valuation as quoted by one or more major banks or dealers that makes a two-way market in such currencies (or a data service provider based on quotations received from such banks or dealers); and (ii) U.S. fixed income assets may be valued as of the announced closing time for trading in fixed income instruments on any day that the Securities Industry and Financial Markets Association (SIFMA) announces an early closing time. The NAV of the Fund would be calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of the Fund, generally rounded to the nearest cent.

In calculating a Fund’s NAV, a Fund’s investments are generally valued using market valuations. If current market valuations are not readily available or such valuations do not reflect current market values, the affected investments would be valued using fair value pricing pursuant to the pricing policy and procedures approved by the Board of Trustees. The frequency with which a Fund’s investments are valued using fair value pricing is primarily a function of the

types of securities and other assets in which a Fund invests pursuant to its investment objective, strategies, and limitations.<sup>16</sup> Because foreign markets may be open on different days than the days during which a shareholder may purchase the Fund's Shares, the value of the Fund's investments may change on days when shareholders are not able to purchase the Fund's Shares.

The value of assets denominated in foreign currencies is converted into U.S. dollars using exchange rates deemed appropriate by BGFA. Any use of a different rate from the rates used by an Index Provider may adversely affect a Fund's ability to track its Underlying Index.

The NAV for the Fund would be calculated and disseminated daily. In addition, the Trust's Web site would include the Fund's Prospectus and SAI, information regarding the Underlying Index for the Fund, the prior business day's NAV, and the mid-point of the bid-ask spread at the time of calculation of the NAV ("Bid/Ask Price"), a calculation of the premium or discount of the Bid/Ask Price at the time of calculation of the NAV against such NAV, the component securities of the Underlying Index, and a description of the methodology used in these computations. The Bid/Ask Price of the Fund is determined using the highest bid and the lowest offer on the exchange on which the shares are listed for trading. The Exchange would also make available quotation information including Total Cash Amount Per Creation Unit, Shares Outstanding, and the Fund's NAV on a daily basis by means of CTA and CQ High Speed Lines.

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<sup>16</sup> Valuing a Fund's investments using fair value pricing would result in using prices for those investments that may differ from current market valuations. Use of fair value prices and certain current market valuations could result in a difference between the prices used to calculate a Fund's NAV and the prices used by the Fund's Underlying Index, which in turn could result in a difference between the Fund's performance and the performance of the Fund's Underlying Index.

BGFA has informed the Exchange that the Fund would make the Fund's NAV available to all market participants at the same time. If the Exchange becomes aware that the NAV is not disseminated to all market participants at the same time, the Exchange would halt trading in the Fund Shares.

The closing prices of the Fund's Deposit Securities are readily available from, as applicable, the relevant exchange, automated quotation systems, and published or other public sources or on-line information services that are major market data vendors, such as Bloomberg or Reuters. Similarly, information regarding market prices and volume of Shares would be broadly available on a real-time basis throughout the trading day. Quotation and last-sale information for the Shares would be widely disseminated pursuant to the CTA Plan. The previous day's closing price and volume information for the Shares would be published daily in the financial sections of many newspapers.

The value of the Underlying Index would be updated intra-day as individual component securities change in price and would be widely disseminated at least every 60 seconds throughout NYSE Arca Marketplace trading hours (4:00 a.m. to 8:00 p.m. Eastern Time) by one or more major market data vendors. If the official index value does not change during some or all of the period when trading is occurring on the NYSE Arca Marketplace (for example, for indexes of non-U.S. component stocks because of time zone differences or holidays in the countries where such indexes' component stocks trade), then the last calculated official index value would remain available throughout NYSE Arca Marketplace trading hours.

#### The Underlying Index

As of May 2, 2007, the FTSE EPRA/NAREIT Asia Index component securities had a market capitalization of approximately \$300,860,000,000, representing 85 securities. The

average market capitalization was approximately \$3,540,000,000. The five highest weighted securities represented approximately 39.44% of the index weight. The heaviest weighted security represented approximately 10.2% of the index weight.<sup>17</sup>

#### Criteria for Initial and Continued Listing

The Shares would be required to satisfy the criteria for initial and continued listing of ICUs under NYSE Arca Equities Rules 5.2(j)(3) (including the “generic” listing standards under Commentary .01 except the trading volume requirement of Commentary .01(a)(B)(2))<sup>18</sup> and 5.5(g)(2). For instance, a minimum of two Creation Units (at least 100,000 Shares) would be required to be outstanding at the start of trading. This minimum number of Shares required to be outstanding at the start of trading would be comparable to requirements that have been applied to previously listed series of ICUs. The Exchange believes that the proposed minimum number of Shares outstanding at the start of trading is sufficient to provide market liquidity.

The continued listing criteria for ICUs under NYSE Arca Equities Rule 5.5(g)(2) provide that the Exchange would consider the suspension of trading and delisting (if applicable) of the Shares in any of the following circumstances:

- Following the initial 12-month period beginning upon the commencement of trading of the Shares of the Fund, there are fewer than 50 record and/or beneficial holders of such Shares for 30 or more consecutive trading days;
- The value of the Underlying Index of the Fund is no longer calculated or available; or

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<sup>17</sup> Source: Bloomberg.

<sup>18</sup> See June 28<sup>th</sup> E-mail, supra note 10.

- Such other event occurs or condition exists that, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

In addition, the Exchange would remove the Shares from trading and listing upon termination of the Trust. The Exchange represents the Trust is required to comply with Rule 10A-3 under the Act<sup>19</sup> for the initial and continued listing of the Shares.

#### Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The trading hours for the Fund on the Exchange are the same as those set forth in NYSE Arca Equities Rule 7.34 (4:00 a.m. to 8:00 p.m. Eastern Time). The minimum trading increment for shares of the Fund on the Exchange would be \$0.01.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (i) the extent to which trading is not occurring in the securities comprising an Underlying Index and/or the financial instruments of a Fund; or (ii) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in the Shares could be halted pursuant to the Exchange's "circuit breaker" rule<sup>20</sup> or by the halt or suspension of trading of the underlying securities. If the IOPV or the Index value is not being calculated or widely disseminated as required, the Exchange may halt trading during the day in which the interruption to the

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<sup>19</sup> 17 CFR 240.10A-3.

<sup>20</sup> See NYSE Arca Equities Rule 7.12.

calculation or wide dissemination of the IOPV or the Index value occurs. If the interruption to the calculation or wide dissemination of the IOPV or the Index value persists past the trading day in which it occurred, the Exchange would halt trading no later than the beginning of the trading day following the interruption.<sup>21</sup>

### Surveillance

The Exchange intends to utilize its existing surveillance procedures applicable to derivative products to monitor trading in the Shares. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules.

The Exchange's current trading surveillance focuses on detecting when securities trade outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange may obtain information via the Intermarket Surveillance Group ("ISG") from other exchanges who are members or affiliates of the ISG.<sup>22</sup> In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

### Information Bulletin

Prior to the commencement of trading, the Exchange would inform its ETP Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading

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<sup>21</sup> See NYSE Arca Equities Rule 5.5(g)(2)(b).

<sup>22</sup> For a list of the current members and affiliate members of ISG, see <http://www.isgportal.com>. The Exchange notes that not all of the underlying securities may trade on exchanges that are members or affiliate members of the ISG.

the Shares. Specifically, the Bulletin would discuss the following: (i) the procedures for purchases and redemptions of Shares in Creation Unit Aggregations (and that Shares are not individually redeemable); (ii) NYSE Arca Equities Rule 9.2(a),<sup>23</sup> which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (iii) how information regarding the IOPV is disseminated; (iv) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (v) trading information.

In addition, the Bulletin would reference that the Trust is subject to various fees and expenses described in the Registration Statement. The Bulletin would also discuss any exemptive, no-action, and interpretive relief granted by the Commission from Section 11(d)(1) of the Act<sup>24</sup> and certain rules under the Act, including Rule 10a-1, Regulation SHO, Rule 10b-10, Rule 14e-5, Rule 10b-17, Rule 11d1-2, Rules 15c1-5 and 15c1-6, and Rules 101 and 102 of Regulation M under the Act.

The Bulletin would also disclose that the NAV for the Shares would be calculated after 4:00 p.m. Eastern Time each trading day.

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<sup>23</sup> NYSE Arca Equities Rule 9.2(a) provides that an ETP Holder, before recommending a transaction, must have reasonable grounds to believe that the recommendation is suitable for its customer based on any facts disclosed by the customer as to his other security holdings and as to his financial situation and needs. Further, the rule provides, with a limited exception, that prior to the execution of a transaction recommended to a non-institutional customer, the ETP Holder shall make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives, and any other information that it believes would be useful to make a recommendation. See Securities Exchange Act Release No. 54045 (June 26, 2006), 71 FR 37971 (July 3, 2006) (SR-PCX-2005-115).

<sup>24</sup> 15 U.S.C. 78k(d)(1).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>25</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>26</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

## III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2007-47 on the subject line.

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<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2007-47. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2007-47 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 the Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to

a national securities exchange.<sup>27</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>28</sup> which requires that the rules of an exchange be designed, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Although NYSE Arca Equities Rule 5.2(j)(3) permits the Exchange to either originally list and trade ICUs or trade ICUs pursuant to UTP, the Shares do not meet the “generic” listing requirements of NYSE Arca Rule 5.2(j)(3) (permitting listing in reliance upon Rule 19b-4(e) under the Act<sup>29</sup>) because the components of the Index underlying the Fund do not meet the initial listing requirements of Commentary .01(a)(B)(2) to NYSE Arca Equities Rule 5.2(j)(3). Commentary .01(a)(B)(2) to NYSE Arca Equities Rule 5.2(j)(3) requires that, upon the initial listing of any series of ICUs, the component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio each must have a minimum worldwide trading volume during each of the last six months of at least 250,000 shares. The Exchange represents that Index component stocks each having a worldwide monthly trading volume of at least 250,000 shares in the aggregate accounted for 89.3% of the weight of the Underlying Index in the aggregate during each month from November 2006 through April 2007.<sup>30</sup> Because such percentage misses the minimum required threshold by approximately 0.7%, the Shares cannot be listed and traded pursuant to NYSE Arca Equities Rule 5.2(j)(3). The Commission believes, however, that the listing and

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<sup>27</sup> In approving this rule change, the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>28</sup> 15 U.S.C. 78f(b)(5).

<sup>29</sup> 17 CFR 240.19b-4(e).

<sup>30</sup> See supra note 7.

trading of the Shares, would be consistent with the Act. The Commission notes that it has previously approved exchange rules that contemplate the listing and trading of derivative securities products based on indices that were composed of stocks that did not meet certain quantitative generic listing criteria by only a slight margin.<sup>31</sup>

The Commission further believes that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act,<sup>32</sup> which sets forth Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities. Quotation and last-sale information for the Shares will be widely disseminated pursuant to the CTA Plan. Moreover, the Index value will be calculated and disseminated at least every 60 seconds throughout NYSE Arca's three trading sessions, and

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<sup>31</sup> See Securities Exchange Act Release Nos. 55890 (June 8, 2007), 72 FR 33264 (June 15, 2007) (NYSEArca-2007-37) (approving the listing and trading of shares of four funds of StateShares, Inc. where the Underlying Index of each fund did not meet the requirement of NYSE Arca's generic listing standards that component stocks representing at least 90% of the weight of each Underlying Index have a minimum monthly trading volume during each of the last six months of at least 250,000 shares); 55699 (May 3, 2007), 72 FR 26435 (May 9, 2007) (SR-NYSEArca-2007-27) (approving the listing and trading of shares of the iShares FTSE NAREIT Residential Index Fund where the weighting of the five highest components of the underlying index was marginally higher than that required by NYSE Arca's generic listing standards); and 52826 (November 22, 2005), 70 FR 71874 (November 30, 2005) (SR-NYSEArca-2005-67) (approving the listing and trading of shares of the iShares Dow Jones U.S. Energy Sector Index Fund and the iShares Dow Jones U.S. Telecommunications Sector Index Fund where the weightings of the most heavily weighted component stock and the five highest components of the underlying indexes, respectively, were higher than that required by NYSE Arca, Inc.'s relevant generic listing standards). See also Securities Exchange Act Release No. 46306 (August 2, 2002), 67 FR 51916 (August 9, 2002) (SR-NYSE-2002-28) (approving the trading pursuant to UTP of shares of Vanguard Total Stock Market - VIPERs, iShares Russell 2000 Index Funds, iShares Russell 2000 Value Index Funds and iShares Russell 2000 Growth Funds, none of which met the trading volume requirement of the generic listing criteria for NYSE).

<sup>32</sup> 15 U.S.C. 78k-1(a)(1)(C)(iii).

the IOPV will be calculated and disseminated every 15 seconds during the Exchange's Core Trading Session. The NAV of the Fund will be calculated and disseminated once each trading day. The Fund's Web site would include, among other things, the Fund's prospectus and SAI, the prior business day's closing NAV, a calculation of the premium or discount of the Bid/Ask Price at the time of calculation of the NAV against such NAV, the component securities of the Underlying Index, and a description of the methodology used in these computations. In sum, the Commission believes that the proposal is reasonably designed to facilitate access to and provide fair disclosure of information that could assist investors in properly valuing the Shares.

The Commission finds that the Exchange's proposed rules and procedures for trading of the Shares are consistent with the Act. The Shares will trade as equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

In support of this proposal, the Exchange has made the following representations:

1. The Exchange would utilize its existing surveillance procedures applicable to derivative products to monitor trading in the Shares. These procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules. The Exchange may obtain information via the ISG from other exchanges that are members or affiliates of the ISG.
2. The Index Provider is neither a registered broker-dealer nor is it affiliated with the Trust, the Advisor (or its affiliates), or the Distributor.
3. If the IOPV or the Index value applicable to a series of Shares is not being calculated and disseminated as required, the Exchange may halt trading during the

day in which the interruption to the calculation or dissemination of the IOPV or the Index value occurs. If the interruption to the calculation and dissemination of the IOPV or the Index value persists past the trading day in which it occurred, the Exchange would halt trading no later than the beginning of the trading day following the interruption. If the Exchange becomes aware that the NAV is not disseminated to all market participants at the same time, the Exchange would halt trading in the Fund Shares.

4. Prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares.

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

The Commission finds good cause for approving this proposal before the thirtieth day after the publication of notice thereof in the Federal Register. The Commission notes that it has previously approved exchange rules that contemplate the listing and trading of derivative securities products based on indices that were composed of stocks that did not meet certain generic listing criteria by similar amounts.<sup>33</sup> Although the Fund Shares do not meet the initial "generic" listing requirement of NYSE Arca Equities Rule 5.2(j)(3) and therefore cannot be

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<sup>33</sup> See supra note 31.

listed pursuant to Rule 19b-4(e), the Commission believes that the Shares are substantially similar to the other ICUs trading on the Exchange and will otherwise comply with all other “generic” listing requirements under Commentary .01(a)(B) to NYSE Arca Equities Rule 5.2(j)(3).<sup>34</sup> The listing and trading of the Shares do not appear to present any new or significant regulatory concerns. Therefore, the Commission believes that accelerating approval of this proposal would allow the Shares to trade on the Exchange without undue delay and should generate additional competition in the market for such products.

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<sup>34</sup>

Id.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>35</sup> that the proposed rule change (SR-NYSEArca-2007-47), be and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>36</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>35</sup> 15 U.S.C. 78s(b)(2).

<sup>36</sup> 17 CFR 200.30-3(a)(12).