

7. *Suitability.* Pursuant to NYSE Rule 405, before a member, member organization, allied member or employee of such member organization undertakes to recommend a transaction in ETF shares, including fixed income ETFs, such member or member organization should make a determination that such shares are suitable for such customer. If any recommendation is made with respect to such shares, the person making the recommendation should have a reasonable basis for believing at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he or she may reasonably be expected to be capable of evaluating the risks and any special characteristics of the recommended transaction, and is financially able to bear the risks of the recommended transaction. In the Exchange's Information Circular references above, the Exchange will inform members and member organizations of the requirements of NYSE Rule 405.³¹

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

9. *Surveillance.* Exchange surveillance procedures applicable to trading in the proposed iShares are comparable to those applicable to other Investment Company Units currently trading on the Exchange. The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Funds. The Exchange's current trading surveillances focus on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations. Through its member organizations and otherwise through its membership in the Intermarket Surveillance Group, the Exchange is able to obtain information regarding trading on any U.S. market in both the Funds and the Component Securities.

If a broker-dealer is responsible for maintaining (or has a role in maintaining), or calculating the underlying Index, it would be required

to erect and maintain a "Fire Wall" designed to prevent the flow of information regarding the underlying index from the index production personnel and index calculation personnel to the sales and trading personnel. In the course of member organization examinations,³² the Exchange will examine and test the broker-dealer's "Fire Wall" procedures to determine whether they are reasonably designed to prevent the misuse of material non-public information by sales and trading personnel that originates from index production personnel and calculation personnel.

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

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,³³ in general, and furthers the objectives of section 6(b)(5) of the Act,³⁴ 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 regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, and, in general to protect investors and the public interest.

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

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

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

No written comments were solicited or received with respect to the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary,

Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549-0609. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. NYSE-2003-39. The 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, comments should be sent in hardcopy or by e-mail but not by both methods. 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 will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to the File No. SR-NYSE-2003-39 and should be submitted by January 5, 2004.

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

After careful review, the Commission finds that implementation of the proposed rule change is consistent with the requirements of section 6 of the Act³⁵ and the rules and regulations thereunder applicable to a national securities exchange.³⁶ Specifically, the Commission believes that the proposal is consistent with section 6(b)(5) of the Act.³⁷ The Commission believes that the availability of the Funds will provide an instrument for investors to achieve desired investment results that correspond generally to the price and yield performance of the underlying fixed income indices. The investment objective of each Fund will be to provide investment results that correspond generally to the price and yield performance of the underlying index based on fixed income securities.

Accordingly, the Commission finds that the Exchange's proposal will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in

³² The Exchange will examine the member organization's procedures for the first two years after the listing of the ETF and thereafter periodically based on its assessment of risk in planning the annual examination.

³³ 15 U.S.C. 78f(b).

³⁴ 15 U.S.C. 78f(b)(5).

³⁵ 15 U.S.C. 78f.

³⁶ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³⁷ *Id.*

³¹ See *supra* note 3.