

the impact of decimal pricing on systems capacity, liquidity and trading behavior, including an analysis of whether there should be a uniform price increment for securities, from June 8, 2001 to September 10, 2001. The Order also extended the deadline for the Participants to submit the rule filings that would individually establish an MPV for each market from July 9, 2001 to November 5, 2001.

In view of the market disruption caused by the attacks of September 11, 2001, the Commission believes that it is necessary and appropriate to extend the deadline set forth in the May 22, 2001 Order for the Participants to submit their rule filings. The Commission believes that such an extension is necessary to give the Participants adequate time to thoroughly analyze the important investor protection and market integrity issues that need to be addressed in order to preserve the benefits of decimalization.

Therefore, *It Is Ordered*, pursuant to Section 11A(a)(3)(B) of the Exchange Act,<sup>4</sup> that the Participants shall submit their rule filings pursuant to Section 19(b)(2) of the Exchange Act no later than January 14, 2002. All other aspects of the Commission's Orders of May 22, 2001 and June 8, 2000 remain in effect until otherwise ordered by the Commission.

By the Commission.

**Margaret H. McFarland,**

*Deputy Secretary.*

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BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25172; 812-12290]

### iShares, Inc., et al.; Notice of Application

September 25, 2001.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 ("Act") for an exemption from sections 2(a)(32), 5(a)(1), 22(d), and 22(e) of the Act and rule 22c-1 under the Act, and under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and (a)(2) of the Act.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit an open-end management investment

company, whose portfolios will consist of the component securities of certain equity securities indices, to issue shares of limited redeemability; permit secondary market transactions in the shares of the portfolios at negotiated prices on a national securities exchange, as defined in section 2(a)(26) of the Act (a "Listing Exchange"); permit certain affiliated persons of the portfolios to deposit securities into, and receive securities from, the portfolios in connection with the purchase and redemption of aggregations of the portfolios' shares; and permit the portfolios to pay redemption proceeds more than seven days after the tender of shares of the portfolios for redemption under certain circumstances.

**Applicants:** Barclays Global Fund Advisors (the "Adviser"), iShares, Inc. (the "Company") and SEI Investments Distribution Company ("Distributor").

**Filing Dates:** The application was filed on October 4, 2000. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

**Hearing or Notification of Hearing:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on October 17, 2001 and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, Commission, 450 5th Street, NW, Washington, DC 20549-0609. iShares, Inc., 400 Bellevue Parkway, Wilmington, DE 19809, attn: John Falco, Assistant Secretary; Barclays Global Fund Advisors, c/o Joanne T. Medero, Esq., Barclays Global Investors, 45 Fremont Street, San Francisco, CA 94105; and SEI Investment Distribution Company, One Freedom Valley Drive, Oaks, PA 19456, Attn: William E. Zittelli, Esq.

**FOR FURTHER INFORMATION CONTACT:** Marilyn Mann, Senior Counsel, at (202) 942-0582, or Mary Kay Frech, Branch Chief, at (202) 942-0579 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application

may be obtained for a fee at the Commission's Public Reference Branch, 450 5th Street, NW, Washington, DC 20549-0102 (tel. 202-942-8090).

### Applicants' Representations

1. The Company is an open-end management investment company registered under the Act and is incorporated under the laws of the State of Maryland. The Company is organized as a series fund with multiple series.<sup>1</sup> The Company intends to offer seven new series of shares (each, an "Index Fund"). The Adviser, an investment adviser registered under the Investment Advisers Act of 1940, will serve as investment adviser for each Index Fund. The Distributor, a broker-dealer unaffiliated with the Adviser and registered under the Securities Exchange Act of 1934 ("Exchange Act"), will serve as the principal underwriter and distributor of each Index Fund's shares.

2. Each Index Fund will invest in a portfolio of securities ("Portfolio Securities") generally consisting of the component securities of a specified equity securities index (each, an "Underlying Index").<sup>2</sup> In the future, applicants may offer additional series of the Company ("Future Index Funds") based on other equity securities indices. Any Future Index Fund will (a) be advised by the Adviser or an entity controlled by or under common control with the Adviser and (b) comply with the terms and conditions of the order

<sup>1</sup> The Company currently has 28 series operating under the terms of two prior orders. See Foreign Fund, Investment Company Act Release Nos. 21737 (Feb. 6, 1996) (notice) and 21803 (March 5, 1996) (order); WEBS Index Fund, Inc., Investment Company Act Release Nos. 23860 (June 7, 1999) (notice) and 23890 (July 6, 1999) (order).

<sup>2</sup> An Index Fund will normally invest at least 95% of its total assets in the component securities of its Underlying Index, and will at all times invest at least 90% of its total assets in such stocks. However, in order to permit the Adviser additional flexibility to comply with the requirements of the Internal Revenue Code and other regulatory requirements and to manage future corporate actions and index changes in the smaller markets, certain Index Funds will at all times invest at least 80% of their assets in such stocks and at least half of the remaining 20% in such stocks or in stocks included in the relevant market, but not in the relevant Underlying Index. Each Index Fund may invest its remaining assets in certain futures, option and swap contracts, cash, money market instruments, money market funds, repurchase agreements, local currency and forward currency exchange contracts, as well as in stocks that are in the relevant market but are not included in the Underlying Index.

The Underlying Indices for the Index Funds are the MSCI Europe Index, the MSCI Emerging Markets (Free) Index, the MSCI Emerging Markets Latin America Index, the MSCI All Country World Ex USA Index, the MSCI All Country Far East (Free) Ex Japan Index, the MSCI Pacific (Free) Ex Japan Index, and the MSCI Israel Index.

<sup>4</sup> 15 U.S.C. 78K-1(a)(3)(B).

(references to "Index Funds" include "Future Index Funds"). No entity that creates, compiles, sponsors or maintains a Underlying Index will be an affiliated person, as defined in section 2(a)(3) of the Act, or an affiliated person of an affiliated person, of the Company, the Adviser, any subadviser to an Index Fund, the Distributor or promoter of an Index Fund.

3. The investment objective of each Index Fund will be to seek to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the aggregate in particular markets, as represented by a particular Underlying Index. It is currently expected that intra-day values of each Underlying Index will be disseminated every 15 seconds throughout the trading day. An Index Fund will utilize as an investment approach a representative sampling strategy. Each Index Fund will seek to hold a representative sample of the component securities of the Underlying Index.<sup>3</sup> Using the representative sampling technique, applicants anticipate that an Index Fund will not track its Underlying Index with the same degree of accuracy as an investment vehicle that invested in every component security of the Underlying Index with the same weighting as the Underlying Index. Applicants expect that each Index Fund will have a tracking error relative to the performance of its respective Underlying Index of no more than 5 percent.

4. Shares of an Index Fund ("iShares") will be sold in aggregations of 50,000 or more iShares ("Creation Unit Aggregations") as specified in the relevant prospectus (the "Relevant Prospectus"). It is currently anticipated that the price of a Creation Unit Aggregation will range from at least \$450,000 to approximately \$25,000,000. Creation Unit Aggregations may be purchased only by or through a participant that has entered into a participant agreement with the Distributor ("Authorized Participant"). Each Authorized Participant must be a Depository Trust Company ("DTC") participant. Creation Unit Aggregations generally will be issued in exchange for an in-kind deposit of securities and cash. An Index Fund also may sell Creation Unit Aggregations on a "cash only" basis in limited circumstances.

<sup>3</sup> The stocks selected for inclusion in an Index Fund by the Adviser will have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the Index Fund's Underlying Index taken in its entirety.

An investor wishing to make an in-kind purchase of a Creation Unit Aggregation from an Index Fund will have to transfer to the Fund a "Portfolio Deposit" consisting of (a) a portfolio of securities that has been selected by the Adviser to correspond generally to the price and yield performance of the relevant Underlying Index ("Deposit Securities"), (b) a cash payment equal per Creation Unit Aggregation to the dividends accrued on the Portfolio Securities of the Index Fund since the last dividend payment on the Portfolio Securities, net of expenses and liabilities (the "Dividend Equivalent Payment"), and (c) an amount equal to the difference between (i) the net asset value ("NAV") per Creation Unit Aggregation of the Index Fund and (ii) the sum of (I) the Dividend Equivalent Payment and (II) the total aggregate market value per Creation Unit Aggregation of the Deposit Securities (the "Balancing Amount," and, together with the Dividend Equivalent Payment, the "Cash Component").<sup>4</sup> An investor purchasing a Creation Unit Aggregation from an Index Fund will be charged a fee ("Transaction Fee") to prevent the dilution of the interests of the remaining shareholders resulting from the Index Fund incurring costs in connection with the purchase of Creation Unit Aggregations.<sup>5</sup> Each Index Fund will disclose the maximum Transaction Fees charged by the Index Fund in the Relevant Prospectus and will disclose the method of calculating the Transaction Fees in its statement of additional information ("SAI").

<sup>4</sup> On each business day, the Adviser will make available through the Distributor, immediately prior to the opening of trading on the Listing Exchange, the list of the names and the required number of shares of each Deposit Security for each Index Fund that offers in-kind purchases of Creation Unit Aggregations. The Portfolio Deposit will be applicable to purchases of Creation Unit Aggregations until a change in the Portfolio Deposit composition is next announced. In addition, each Index Fund reserves the right to permit or require the substitution of an amount of cash or the substitution of any security to replace any Deposit Security that may be unavailable or unavailable in sufficient quantity for delivery to the Company, or which may be ineligible for trading by an Authorized Participant or the investor on whose behalf the Authorized Participant is acting. In addition, the Listing Exchange will disseminate at regular intervals (currently expected to be every 15 seconds) throughout the trading day, via the facilities of the Consolidated Tape Association, an amount representing on a per iShare basis, the sum of the Cash Component effective through and including the prior business day, plus the current value of the Deposit Securities.

<sup>5</sup> In situations where an Index Fund permits a purchaser to substitute cash for Deposit Securities, the purchaser may be assessed an additional fee to offset the Index Fund's brokerage and other transaction costs associated with using cash to purchase the requisite Deposit Securities.

5. Orders to purchase Creation Unit Aggregations will be placed with the Distributor who will be responsible for transmitting the orders to the Company. The Distributor will transmit confirmations of acceptance, issue delivery instructions to the Company to implement the delivery of Creation Unit Aggregations, and maintain records of the orders and confirmations. The Distributor also will be responsible for delivering Relevant Prospectuses to purchasers of Creation Unit Aggregations.

6. Persons purchasing Creation Unit Aggregations from an Index Fund may hold the iShares or sell some or all of them in the secondary market. iShares will be listed on the Listing Exchange and traded in the secondary market in the same manner as other equity securities. It is expected that one or more Listing Exchange specialists will be assigned to make a market in iShares. The price of iShares traded on the Listing Exchange will be based on a current bid/offer market, and each Share is expected to have a market value of between \$20 and \$120. Transactions involving the sale of iShares in the secondary market will be subject to customary brokerage commissions and charges.

7. Applicants expect that purchasers of Creation Unit Aggregations will include institutional investors and arbitrageurs (which could include institutional investors). The Listing Exchange specialist, in providing for a fair and orderly secondary market for iShares, also may purchase iShares for use in its market-making activities on the Listing Exchange. Applicants expect that secondary market purchasers of iShares will include both institutional and retail investors.<sup>6</sup> Applicants believe that arbitrageurs and other institutional investors will purchase or redeem Creation Unit Aggregations to take advantage of discrepancies between the iShares' market price and the iShares' underlying NAV. Applicants expect that this arbitrage activity will provide a market "discipline" that will result in a close correspondence between the price at which the iShares trade and their NAV. In other words, applicants do not expect the iShares to trade at a significant premium or discount to their NAV.

8. iShares will not be individually redeemable. iShares will only be redeemable in Creation Unit Aggregations through each Index Fund.

<sup>6</sup> iShares will be registered in book-entry form only. DTC or its nominee will be the registered owner of all outstanding iShares. Records reflecting the beneficial owners of iShares will be maintained by DTC or its participants.

To redeem, an investor will have to accumulate enough iShares to constitute a Creation Unit Aggregation. An investor redeeming a Creation Unit Aggregation generally will receive (a) a portfolio of Portfolio Securities in effect on the date the request for redemption is made ("Redemption Securities"), which may not be identical to the Deposit Securities applicable to the purchase of Creation Unit Aggregations, and (b) a "Cash Redemption Payment," consisting of an amount calculated in the same manner as the Cash Component, although the actual amounts may differ if the Redemption Securities are not identical to the Deposit Securities. An investor may receive the cash equivalent of a Redemption Security in certain circumstances, such as where a redeeming entity is restrained by regulation or policy from transacting in the Redemption Security. An Index Fund may redeem Creation Unit Aggregations in cash in limited circumstances, such as when it is not possible to effect deliveries of Redemption Securities in the applicable jurisdiction.<sup>7</sup> A redeeming investor will pay a Transaction Fee to offset the Fund's transaction costs, whether the redemption proceeds are in-kind or cash. An additional variable charge, expressed as a percentage of the redemption proceeds, will be made for cash redemptions.

9. Because each Index Fund will redeem Creation Unit Aggregations in-kind, an Index Fund will not have to maintain cash reserves for redemptions. This will allow the assets of each index Fund to be committed as fully as possible to tracking its Underlying Index. Accordingly, applicants state that each Index Fund will be able to track its Underlying Index more closely than certain other investment products that must allocate a greater portion of their assets for cash redemptions.

10. Applicants state that no Index Fund will be marketed or otherwise held out as an "open-end investment company" or a "mutual fund." Rather, the designation of the Index Fund in all marketing materials will be limited to the terms "exchange-traded fund," "investment company," "fund," or "company" without reference to an "open-end fund" or "mutual fund" except to contrast the Index Funds with a conventional open-end investment

company. Any marketing materials that describe the purchase or sale of Creation Unit Aggregations, or refer to redeemability, will prominently disclose that iShares are not individually redeemable and that owners of iShares may tender iShares for redemption to the Index Funds in Creation Unit Aggregations only. The same type of disclosure will be provided in each Index Fund's Relevant Prospectus, SAI, and all reports to shareholders.<sup>8</sup> The Fund will provide copies of its annual and semi-annual shareholder reports to DTC participants for distribution to beneficial holders of iShares.

#### Applicants' Legal Analysis

1. Applicants request an order under section 6(c) of the Act granting an exemption from section 2(a)(32), 5(a)(1), 22(d), and 22(e) of the Act and rule 22c-1 under the Act; and under sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1) and (a)(2) of the Act. Applicants request relief for the Index Funds as well as any Future Index Funds. Any Future Index Funds relying on any order granted pursuant to this application will comply with the terms and conditions in the application.

2. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction, or any class of persons, securities, or transactions, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly

<sup>8</sup> Applicants state that persons purchasing Creation Unit Aggregations will be cautioned in the Relevant Prospectus and/or SAI that some activities on their part may, depending on the circumstances, result in their being deemed statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act of 1933 ("Securities Act"). For example, a broker-dealer firm and/or its client may be deemed a statutory underwriter if it takes Creation Unit Aggregations after placing an order with the Distributor, breaks them down into the constituent iShares, and sells iShares directly to its customers; or if it chooses to couple the creation of a supply of new iShares directly to its customers; or if it chooses to couple the creation of a supply of new iShares with an active selling effort involving solicitation of secondary market demand for iShares. The Relevant Prospectus and/or SAI will state that whether a person is an underwriter depends upon all the facts and circumstances pertaining to that person's activities. The Relevant Prospectus or SAI also will state that broker-dealer firms should also note that dealers who are not "underwriters" but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with iShares that are part of an "unsold allotment" within the meaning of section 4(3)(C) of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by section 4(3) of the Securities Act.

intended by the policy and provisions of the Act.

#### Sections 5(a)(1) and 2(a)(32) of the Act

3. Section 5(a)(1) of the Act defines an "open-end company" as a management investment company that is offering for sale or has outstanding any redeemable security of which it is the issuer. Section 2(a)(32) of the Act defines a redeemable security as any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer, is entitled to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent. Because iShares will not be individually redeemable, applicants request an order under section 6(c) of the Act that would permit the Company to register each Index Fund as a series of an open-end management investment company and issue iShares that are redeemable in Creation Unit Aggregations. Applicants state that investors may purchase iShares in Creation Unit Aggregations from each Index Fund and redeem Creation Unit Aggregations through each Index Fund. Applicants further state that because the market price of Creation Unit Aggregations will be disciplined by arbitrage opportunities, investors generally should be able to sell iShares in the secondary market at approximately their NAV.

#### Section 22(d) of the Act and Rule 22c-1 under the Act

4. Section 22(d) of the Act, among other things, prohibits a dealer from selling a redeemable security that is being currently offered to the public by or through an underwriter, except at a current public offering price described in the prospectus. Rule 22c-1 under the Act generally requires that a dealer selling, redeeming, or repurchasing a redeemable security do so only at a price based on its NAV. Applicants state that secondary market trading in iShares will take place at negotiated prices, not at a current offering price described in the Relevant Prospectus, and not at a price based on NAV. Thus, purchases and sales of iShares in the secondary market will not comply with section 22(d) and rule 22c-1. Applicants request an exemption under section 6(c) of the Act from these provisions.

5. Applicants assert that the concerns sought to be addressed by section 22(d) of the Act and rule 22c-1 under the Act with respect to pricing are equally satisfied by the proposed method of pricing iShares. Applicants maintain that while there is little legislative history regarding section 22(d), its provisions, as well as those of rule

<sup>7</sup> Applicants note that certain holders of iShares of a particular Index Fund may be subject to unfavorable tax treatment if they are entitled to receive in-kind redemption proceeds. The Company may adopt a policy with respect to such Index Fund that such holders of iShares may redeem Creation Unit Aggregations solely for cash.

22c-1, appear to have been designed to (a) prevent dilution caused by certain riskless-trading schemes by principal underwriters and contract dealers, (b) prevent unjust discrimination or preferential treatment among buyers resulting from sales at different prices, and (c) assure an orderly distribution of investment company shares by eliminating price competition from dealers offering shares at less than the published sales price and repurchasing shares at more than the published redemption price.

6. Applicants believe that none of these purposes will be thwarted by permitting iShares to trade in the secondary market at negotiated prices. Applicants state (a) that secondary market trading in iShares would not cause dilution for owners of iShares because such transactions do not directly involve Index Fund assets, and (b) to the extent different prices exist during a given trading day, or from day to day, these variances will occur as a result of third-party market forces, such as supply and demand. Therefore, applicants assert that secondary market transactions in iShares will not lead to discrimination or preferential treatment among purchasers. Finally, applicants contend that the proposed distribution system will be orderly because arbitrage activity will ensure that the difference between the market price of iShares and their NAV remains narrow.

#### Section 22(e) of the Act

7. Section 22(e) of the Act generally prohibits a registered investment company from suspending the right of redemption or postponing the date of payment of redemption proceeds for more than seven days after the tender of a security for redemption. Applicants state that local market delivery cycles for transferring Redemption Securities to redeeming investors, together with local market holiday schedules, will require a delivery process in excess of seven calendar days for certain Index Funds in certain circumstances during the calendar year. Applicants request relief under section 6(c) from section 22(e) so that the Index Funds may pay redemption proceeds up to twelve calendar days after the tender of iShares for redemption. Except as otherwise subsequently disclosed in the SAI for the relevant Index Fund, applicants expect, however, that these Index Funds will be able to deliver redemption proceeds within seven days at all other times.<sup>9</sup> With respect to Future Index

Funds, applicants seek the same relief from section 22(e) only to the extent that circumstances exist similar to those described herein.

8. The principal reason for the requested exemption is that settlement of redemptions for the Index Funds is contingent not only on the settlement cycle of the United States market but also on the currently practicable delivery cycles in the local markets for the underlying foreign securities of each Index Fund. Applicants believe that the Index Funds will be able to comply with the delivery requirements of section 22(e) except where the holiday schedule applicable to the specific foreign market will not permit delivery of redemption proceeds within seven calendar days.

9. Applicants state that section 22(e) of the Act was designed to prevent unreasonable, undisclosed, and unforeseen delays in the payment of redemption proceeds. Applicants assert that their requested relief will not lead to the problems section 22(e) was designed to prevent. Delays in the payment of iShares redemption proceeds will occur principally due to local holidays. Applicants state that the SAI will disclose those local holidays (over the period of at least one year following the date of the SAI), if any, that are expected to prevent the delivery of redemption proceeds in seven calendar days and the maximum number of days needed to deliver the proceeds for each Index Fund.

#### Section 17(a) of the Act

10. Section 17(a) of the Act generally prohibits an affiliated person of a registered investment company, or an affiliated person of such person, from selling any security to or purchasing any security from the company. Because purchases and redemptions of Creation Unit Aggregations may be "in-kind" rather than cash transactions, section 17(a) may prohibit affiliated persons of an Index Fund from purchasing or redeeming Creation Unit Aggregations in-kind. Because the definition of "affiliated person" of another person in section 2(a)(3)(A) of the Act includes any person owning five percent or more of an issuer's outstanding voting securities, every purchaser of a Creation Unit Aggregation will be affiliated with the Index Fund so long as fewer than twenty Creation Unit Aggregations are in existence. In addition, any person owning more than 25% of the iShares of an Index Fund may be deemed an affiliated person under section 2(a)(3)(C)

of the Act. Applicants request an exemption from section 17(a) under sections 6(c) and 17(b), to permit these affiliated persons of the Index Fund to purchase and redeem Creation Unit Aggregations.

11. Section 17(b) authorizes the Commission to exempt a proposed transaction from section 17(a) if evidence establishes that the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching, and the proposed transaction is consistent with the policies of the registered investment company and the general provisions of the Act. Applicants contend that no useful purpose would be served by prohibiting persons with the types of affiliations described above from purchasing or redeeming Creation Unit Aggregations. The deposit procedure for in-kind purchases and redemptions will be the same for all purchases and redemptions, and Deposit Securities and Redemption Securities will be valued under the same objective standards applied to valuing Portfolio Securities. Therefore, applicants state that in-kind purchases and redemptions will afford no opportunity for an affiliated person of an Index Fund to effect a transaction detrimental to the other holders of iShares. Applicants also believe that in-kind purchases and redemptions will not result in abusive self-sealing overreaching by affiliated persons of the Index Fund.

#### Applicant's Conditions

Applicants agree that any order of the Commission granting the requested relief will be subject to the following conditions:

1. Applicants will not register any Future Index Funds, by means of filing a post-effective amendment to the Company's registration statement or by any other means, unless (a) applicants have requested and received with respect to such Future Index Fund, either exemptive relief from the Commission or a no-action letter from the Division of Investment Management of the Commission, or (b) the Future Index Fund will be listed on a national securities exchange without the need for a filing pursuant to rule 19b-4 under the Exchange Act.

2. Each Index Fund's Relevant Prospectus will clearly disclose that, for purposes of the Act, iShares are issued by the Index Fund and that the acquisition of iShares by investments companies is subject to the restrictions of section 12(d)(1) of the Act.

3. As long as the Company operates in reliance on the requested order, the

<sup>9</sup> Applicants acknowledge that no relief obtained from the requirements of section 22(e) will affect any obligations applicants may otherwise have

under rule 15c6-1 under the Exchange Act. Rule 15c6-1 requires that most securities transactions be settled within three business days of the trade date.

iShares will be listed on a national securities exchange.

4. Neither the Company nor any Index Fund will be advertised or marketed as an open-end fund or a mutual fund. Each Index Fund's Relevant Prospectus will prominently disclose that iShares are not individually redeemable shares and will disclose that the owners of iShares may acquire those iShares from the Index Fund and tender those iShares for redemption to the Index Fund in Creation Unit Aggregations only. Any advertising material that describes the purchase or sale of Creation Unit Aggregations or refers to redeemability will prominently disclose that iShares are not individually redeemable and that owners of iShares may acquire those iShares from the Index Fund and tender those iShares for redemption to the Index Fund in Creation Unit Aggregations only.

5. The website for the Company, which will be publicly accessible at no charge, will contain the following information, or a per iShare basis, for each Index Fund: (a) the prior business day's NAV and the reported closing price, and a calculation of the premium or discount of such price against such NAV; and (b) data in chart format displaying the frequency distribution of discounts and premiums of the daily closing price against the NAV, within appropriate ranges, for each of the four previous calendar quarters.

6. The Relevant Prospectus and annual report for each Index Fund will also include: (a) the information listed in condition 5(b), (i) in the case of the Relevant Prospectus, for the most recently completed year (and the most recently completed quarter or quarters, as applicable) and (ii) in the case of the annual report, for the immediately preceding five years, as applicable; and (b) the following data, calculated on a per iShare basis for one, five and ten year periods (or life of the Index Fund), (i) the cumulative total return and the average annual total return based on NAV and market price, and (ii) the cumulative total return of the relevant Underlying Index.

For the Commission, by the Division of Investment Management, under delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-24472 Filed 9-28-01; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

**FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT:** To be published Friday, September 28, 2001.

**STATUS:** Closed meetings.

**PLACE:** 450 Fifth Street, NW., Washington, DC

**TIME AND DATE OF PREVIOUSLY ANNOUNCED MEETING:** Tuesday, October 2, 2001 at 10:30 a.m. and Thursday, October 4, 2001 at 10:00 a.m.

**CHANGE IN THE MEETING:** Additional Items.

The following items have been added to the closed meeting scheduled for Tuesday, October 2, 2001 and Thursday, October 4, 2001: formal orders.

Commissioner Unger, as duty officer, determined that Commission business required the above change and that no earlier notice thereof was possible.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: September 26, 2001.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-24563 Filed 9-27-01; 11:08 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44837; File No. SR-CBOE-2001-54]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to a Six Month Extension of the Pilot Program To Eliminate Position and Exercise Limits for OEX, DJX, and SPX Index Options and FLEX Options Overlying These Indexes

September 24, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 24, 2001, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission

("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. The proposed rule changes has been filed by the CBOE as a "non-controversial" rule change under Rule 19-4(f)(6).<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The CBOE seeks a six month extension of the pilot program that provides for the elimination of position and exercise limits for S&P 500 Index ("SPX"), S&P 100 Index ("OEX"), Dow Jones Industrial Average ("DJX") index options as well as for FLEX options overlying these indexes. The text of the proposed rule change is available at the CBOE and at the Commission.

#### 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 IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

###### 1. Purpose

On January 22, 1999, the Commission approved a two-year pilot program ("Pilot Program") that allowed for the elimination of position and exercise limits for options on the SPX, OEX, and DJX as well as for FLEX options overlying these indexes.<sup>4</sup> On January 30, 2001 and again on May 22, 2001, the Commission extended the Pilot Program and additional four months.<sup>5</sup> The purpose of this proposed rule change is

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> See Securities Exchange Act Release No. 40969 (January 22, 1999), 64 FR 49111 (February 1, 1999) (approving SR-CBOE-99-23) ("Approval Order").

<sup>5</sup> See Securities Exchange Act Release No. 43867 (January 22, 2001), 66 FR 8250 (January 30, 2001) (notice of filing and immediate effectiveness of SR-CBOE-2001-01) and Securities Exchange Act Release No. 44335 (May 22, 2001) 66 FR 29369 (May 30, 2001) (notice of filing and immediate effectiveness of SR-CBOE-2001-26).

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

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