

containing the disclosure contemplated by condition 2 below, by the sole initial shareholder before offering the Fund's shares to the public.

2. The prospectus for each Fund will disclose the existence, substance, and effect of any order granted pursuant to the application. Each Fund will hold itself out to the public as employing the management structure described in the application. The prospectus will prominently disclose that the Adviser has ultimate responsibility (subject to oversight by the Board) to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of a new Subadviser, the affected Fund shareholders will be furnished all information about the new Subadviser that would be included in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of the new Subadviser. To meet this obligation, the Fund will provide shareholders within 90 days of the hiring of a new Subadviser with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the 1934 Act, except as modified by the order to permit Aggregate Fee Disclosure.

4. The Adviser will not enter into a Subadvisory Agreement with any Affiliated Subadviser without that agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

5. Each Fund will comply with the fund governance standards as defined in rule 0-1(a)(7) under the Act by the compliance date for the rule ("Compliance Date"). Prior to the Compliance Date, a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then existing Independent Trustees.

6. When a Subadviser change is proposed for a Fund with an Affiliated Subadviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Trust's Board minutes, that such change is in the best interests of the Fund and its shareholders, and does not involve a conflict of interest from which the Adviser or the Affiliated Subadviser derives an inappropriate advantage.

7. Independent legal counsel, as defined in rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Trustees. The selection of

such counsel will be within the discretion of the then existing Independent Trustees.

8. The Adviser will provide the Board, no less frequently than quarterly, with information about the profitability of the Adviser on a per-Fund basis. The information will reflect the impact on profitability of the hiring or termination of any Subadviser during the applicable quarter.

9. Whenever a Subadviser is hired or terminated, the Adviser will provide the Board with information showing the expected impact on the profitability of the Adviser.

10. The Adviser will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of the Fund's assets, and, subject to review and approval of the Board, will: (a) Set each Fund's overall investment strategies; (b) evaluate, select and recommend Subadvisers to manage all or a part of a Fund's assets; (c) when appropriate, allocate and reallocate a Fund's assets among multiple Subadvisers; (d) monitor and evaluate the performance of Subadvisers; and (e) implement procedures reasonably designed to ensure that the Subadvisers comply with each Fund's investment objective, policies and restrictions.

11. No trustee or officer of the Trust, or director or officer of the Adviser, will own, directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Subadviser, except for: (a) Ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of any publicly traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

12. Each Fund will disclose in its registration statement the Aggregate Fee Disclosure.

13. The requested order will expire on the effective date of rule 15a-5 under the Act, if adopted.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52870; File No. SR-Amex-2005-091]

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Trading Privileges of the iShares® Lehman TIPS Bond Fund

December 1, 2005.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 13, 2005, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On November 22, 2005, Amex filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and is approving the proposal on an accelerated basis.

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

The Amex proposes to trade shares (the "Fund Shares" or "Shares") of the iShares® Lehman TIPS Bond Fund (ticker symbol: TIP) (the "Fund"),⁴ pursuant to unlisted trading privileges ("UTP").

The text of the proposed rule change is available on the Exchange's Internet Web site (<http://www.amex.com>), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange clarified and supplemented certain aspects of its proposal.

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

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

1. Purpose

The Exchange proposes to trade Fund Shares which are Index Fund Shares under Amex Rules 1000A *et seq.*, pursuant to UTP. The Commission previously approved the original listing and trading of the Fund on the New York Stock Exchange, Inc. ("NYSE").⁵ The Fund is a separate series of the iShares Trust (the "Trust"). Lehman Brothers maintains and calculates the Lehman Brothers U.S. Treasury Inflation Notes Index (the "Index"). The Index will not be calculated or disseminated intra-day because Lehman Brothers does not calculate or disseminate intra-day values for the Index. The value and return of the Index are calculated and disseminated each business day, at the end of the trading day, by Lehman Brothers. Additional information about the Fund is also available at <http://www.iShares.com>.

The investment objective of the Fund is to provide investment results that correspond generally to the performance of the Index. The Index seeks results that correspond generally to the price and yield performance, before fees and expenses, of the inflation-protected sector of the United States Treasury market, as defined by the Index. Inflation-protected public obligations of the U.S. Treasury, also called "TIPS," are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS are income-generating instruments whose interest and principal payments are adjusted for inflation.

(a) Dissemination of Information About the Fund Shares

Quotations for and last sale information regarding the Fund are disseminated through the Consolidated Tape Association ("CTA"). The net asset value ("NAV") of the Fund is calculated each business day, normally at the close of regular trading of the NYSE, and is published in a number of places, including <http://www.iShares.com> and through the facilities of the CTA. According to the Fund's prospectus, Investors Bank & Trust Company, the administrator, custodian and transfer agent for the Fund, determines the NAV for the Fund as of the close of regular trading on the NYSE (ordinarily 4 p.m.,

Eastern time or "ET") on each day that the NYSE is open for trading.⁶ The Fund and the index calculation methodology for the Index are both described in more detail in the NYSE Order.

In order to provide updated information relating to the Fund for use by investors, professionals, and persons wishing to create or redeem Fund Shares in creation unit aggregations ("Creation Units"), the NYSE disseminates, through the facilities of the CTA, the indicative optimized portfolio value ("IOPV"), calculated by Bloomberg L.P., every fifteen (15) seconds during the trading hours for the Shares of 9:30 a.m. to 4:15 p.m. ET.

(b) Trading Rules

The Exchange deems the Fund 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 Shares on the Exchange will be 9:30 a.m. to 4:15 p.m. ET. The Shares trade with a minimum price variation of \$0.01.

Amex Rule 190 generally precludes certain business relationships between an issuer and the specialist in the issuer's securities. Exceptions in the rule permit specialists in Fund Shares to enter into Creation Unit transactions to facilitate the maintenance of a fair and orderly market. Commentary .04 to Amex Rule 190 specifically applies to Index Fund Shares listed on the Exchange, including the Shares. Commentary .04 states that nothing in Amex Rule 190(a) should be construed to restrict a specialist registered in a security issued by an investment company from purchasing and redeeming the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market.

Amex Rule 154, Commentary .04(c) provides that stop and stop limit orders to buy or sell a security (other than an option, which is covered by Amex Rule 950(f) and Commentary thereto), the price of which is derivatively priced based upon another security or index of securities, may with the prior approval of a Floor Official, be elected by a quotation, as set forth in Commentary .04(c)(i-v). The Exchange has designated Index Fund Shares, including the Funds Shares, as eligible for this treatment.⁷

The rules of the Exchange require its members to deliver a prospectus or product description to investors purchasing Shares of the Fund prior to or concurrently with the confirmation of a transaction in such Shares. The Exchange notes, however, that although Amex Rule 1000A provides for delivery of written descriptions to customers of funds that have received an exemption from section 24(d) of the Investment Company Act of 1940 and the Trust has received such an exemption, there is at this time no written description available for this Fund. The Exchange will advise its members and member organizations that delivery of a prospectus in lieu of a written description would satisfy the requirements of Amex Rule 1000A.

The Exchange will cease trading in the Shares if (a) the primary market stops trading the Shares because of a regulatory halt akin to a halt based on Amex Rule 117 and/or a halt because dissemination of the IOPV and/or underlying index value has ceased or (b) the primary market delists the Shares.⁸

(c) Surveillance

The Exchange notes that the Index is broad-based and has components with significant market capitalizations and liquidity.⁹ Nevertheless, the Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Shares. Specifically, the Amex will rely on its existing surveillance procedures governing Index Fund Shares.

(d) Information Circular

In connection with the trading of the Shares of each Fund, the Amex will inform its members in an Information Circular of the special characteristics and risks associated with trading of the Shares, such as, a description of the Fund and associated Shares, how Fund Shares are created and redeemed in Creation Units (*e.g.*, that Fund Shares are not individually redeemable), applicable Exchange rules, dissemination information, trading information, the applicability of suitability rules, and a discussion of any relief provided by the Commission or the staff from any rules under the Act. Additionally, in the Information Circular, the Exchange will advise its

Amex-90-31) at note 9, regarding the Exchange's designation of equity derivative securities as eligible for such treatment under Amex Rule 154, Commentary .04(c).

⁸ Telephone conversation between Edward Cho, Staff Attorney, Division of Market Regulation, Commission, and Jeffrey Burns, Associate General Counsel, Amex, on November 17, 2005.

⁹ *Id.*

⁵ See Securities Exchange Act Release No. 48881 (December 4, 2003), 68 FR 69739 (December 15, 2003) (SR-NYSE-2003-39) ("NYSE Order"). The Funds commenced trading on the NYSE on December 5, 2003.

⁶ The Web site for the Trust, <http://www.iShares.com>, will make available a variety of other relevant information about the Shares.

⁷ See Securities Exchange Act Release No. 29063 (April 10, 1991), 56 FR 15652 (April 17, 1991) (SR-

members to deliver to investors purchasing Shares of the Fund a prospectus, as described above, prior to or concurrently with the confirmation of a transaction in such Shares. The Information Circular will also discuss the information that will be publicly available about the Shares.

The Information Circular will also remind members of their suitability obligations, including those under Amex Rule 411, which imposes a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Shares.¹⁰

2. Statutory Basis

The proposed rule change, as amended, is consistent with section 6(b) of the Act¹¹ in general, and furthers the objectives of section 6(b)(5)¹² 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. In addition, the Exchange believes that the proposal is consistent with Rule 12f-5 under the Act¹³ because it deems the Fund Shares to be equity securities, thus rendering the Shares subject to the Exchange's existing rules governing the trading of equity securities.

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

The Exchange believes that the proposed rule change, as amended, will impose no 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

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 proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Amex-2005-091 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-Amex-2005-091. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Amex. 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-Amex-2005-091 and should be submitted on or before December 29, 2005.

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

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁴ In particular, the Commission finds that the proposed rule change is consistent with section

6(b)(5) of the Act,¹⁵ which requires that an exchange have rules 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.

In addition, the Commission finds that the proposal is consistent with section 12(f) of the Act,¹⁶ which permits an exchange to trade, pursuant to UTP, a security that is listed and registered on another exchange.¹⁷ The Commission notes that it previously approved the listing and trading of the Shares on the NYSE.¹⁸ The Commission also finds that the proposal is consistent with Rule 12f-5 under the Act,¹⁹ which provides that an exchange shall not extend UTP to a security unless the exchange has in effect a rule or rules providing for transactions in the class or type of security to which the exchange extends UTP. Amex rules deem the Shares to be equity securities, and thus, trading in Shares will be subject to the Exchange's existing rules governing the trading of equity securities.²⁰

The Commission further believes that the proposal is consistent with section 11A(a)(1)(C)(iii) of the Act,²¹ which sets forth Congress's 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. Quotations for and last sale information regarding the Shares are disseminated through the Consolidated Quotation System. Furthermore, the NYSE disseminates through the facilities of CTA an updated

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ 5 U.S.C. 78f(f).

¹⁷ Section 12(a) of the Act, 15 U.S.C. 78f(a), generally prohibits a broker-dealer from trading a security on a national securities exchange unless the security is registered on that exchange pursuant to section 12 of the Act. Section 12(f) of the Act excludes from this restriction trading in any security to which an exchange "extends UTP." When an exchange extends UTP to a security, it allows its members to trade the security as if it were listed and registered on the exchange even though it is not so listed and registered.

¹⁸ See NYSE Order, *supra* note 5.

¹⁹ 17 CFR 240.12f-5.

²⁰ The Commission notes that Commentary .04 to existing Amex Rule 190 will permit a specialist in the Shares to create or redeem Creation Units of this Fund to facilitate the maintenance of a fair and orderly market. The Commission previously has found Commentary .04 to Amex Rule 190 to be consistent with the Act. See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606, 10612 (March 14, 1996) (SR-Amex-95-43).

²¹ 15 U.S.C. 78k-1(a)(1)(C)(iii).

¹⁰ *Id.*

¹¹ 15 U.S.C. 78s(b).

¹² 15 U.S.C. 78s(b)(5).

¹³ 17 CFR 240.12f-5.

¹⁴ 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).

IOPV for the Shares every 15 seconds from 9:30 a.m. to 4:15 p.m. E.T.

The Exchange will cease trading in the Shares if (a) the primary market stops trading the Shares because of a regulatory halt similar to a halt based on Amex Rule 117 and/or a halt because dissemination of the IOPV and/or underlying index value has ceased or (b) the primary market delists the Shares.

In support of this proposed rule change, the Exchange has made the following representations:

1. Amex has appropriate rules to facilitate transactions in this type of security;
2. Amex surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange;
3. Amex will distribute an Information Circular to its members prior to the commencement of trading of the Shares on the Exchange that explains the terms, characteristics, and risks of trading such shares;
4. Amex will require a member with a customer that purchases the Shares on the Exchange to provide that customer with a product prospectus and will note this prospectus delivery requirement in the Information Circular; and
5. Amex will cease trading in the Shares if (a) the primary market stops trading the Shares because of a regulatory halt similar to a halt based on Amex Rule 117 and/or a halt because dissemination of the IOPV and/or underlying index value has ceased or (b) the primary market delists the Shares.

This approval order is conditioned on Amex's adherence to these representations.

The Commission finds good cause for approving this proposed rule change, as amended, before the thirtieth day after the publication of notice thereof in the **Federal Register**. As noted earlier, the Commission previously found that the listing and trading of these Shares on the NYSE are consistent with the Act.²² The Commission presently is not aware of any issue that would cause it to revisit that earlier finding or preclude the trading of these funds on the Exchange pursuant to UTP. Therefore, accelerating approval of this proposed rule change should benefit investors by creating, without undue delay, additional competition in the market for these Shares.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (SR-Amex-2005-

091), as amended, is hereby approved on an accelerated basis.²³

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁴

Jonathan G. Katz,
Secretary.

[FR Doc. E5-7057 Filed 12-7-05; 8:45 am]
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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-52871; File No. SR-CBOE-2005-88]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Transaction Fees and a Fee Waiver for Options on the Mini-SPX

December 1, 2005.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 25, 2005, 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 and II below, which Items have been prepared by the Exchange. On December 1, 2005, the Exchange filed Amendment No. 1 to the proposed rule change.³ The CBOE submitted the proposed rule change under Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend its Fees Schedule to establish fees for options on the Mini-SPX ("XSP"). The Exchange also proposes to waive all fees for trading in XSP options beginning with the launch of trading through

²³ 15 U.S.C. 78s(b)(2).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange proposed to reduce the XSP non-member market-maker transaction fee to \$.17 per contract regardless of the premium.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(2).

January 31, 2006. The text of the proposed rule change is available on the Exchange's Web site (<http://www.cboe.com>), at the Exchange's Office of the Secretary 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 CBOE 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 CBOE 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

a. XSP Fees

The Exchange proposes to establish fees for XSP options, which commenced trading on October 25, 2005. XSP options are options that are based on one-tenth the value of the Standard & Poor's 500 Index. XSP options trade on CBOE's Hybrid 2.0 trading system.

The transaction fee for customer orders in XSP options will be \$.15 per contract. The market-maker transaction fee will also be \$.15 per contract.⁶ The Exchange believes the \$.15 market-maker transaction fee will act as an incentive for market-makers to provide liquidity in the XSP product. Member firm proprietary transaction fees will be \$.20 for facilitation of customer orders and \$.24 for non-facilitation orders. The broker-dealer transaction fee will be \$.25 per contract, the remote market-maker transaction fee will be \$.26 per contract, and the non-member market-maker fee will be \$.17 per contract.

As per the current CBOE Fee Schedule, the floor brokerage fee for XSP options will be \$.04 per contract and \$.02 per contract for crossed orders. The Marketing Fee and the RAES Access Fee will not apply.

b. Fee Waiver

The Exchange proposes to waive all fees for trading in XSP options beginning with the launch of trading in XSP options through January 31, 2006.

⁶ XSP options trade without a Designated Primary Market-Maker ("DPM"), Electronic-DPM ("e-DPM") or Lead Market-Maker ("LMM"), under CBOE's index option hybrid rules.

²² See NYSE Order, *supra* note 5.