

adviser registered under the Investment Advisers Act of 1940, serves as investment adviser to each New Fund. The Distributor, a broker-dealer unaffiliated with the Adviser and registered under the Securities Exchange Act of 1934, serves as the principal underwriter for the Trust.

2. The Trust is currently permitted to offer several series based on fixed-income securities indices in reliance on the Prior Order. Applicants seek to amend the Prior Order to permit the Trust to offer the two New Funds, each of which, except as described in the application, would operate in a manner identical to the existing series of the Trust that are subject to the Prior Order.<sup>2</sup>

3. Each New Fund will invest in a portfolio of securities generally consisting of the component securities of a specified U.S. bond index (each, an "Underlying Index").<sup>3</sup> No entity that creates, compiles, sponsors, or maintains an Underlying Index is or 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 Trust, the Adviser, the Distributor, or a promoter of a New Fund.

4. Each Underlying Index contains fixed-income securities that are eligible for inclusion in the underlying index for an existing series of the Trust that is subject to the Prior Order.<sup>4</sup> The 1–3 Year Credit Index represents that portion of the Aggregate Index consisting of U.S. investment grade bonds that have a remaining maturity of 1 to 3 years. The MBS Index represents that portion of the Aggregate Index consisting of U.S. agency mortgage pass-through securities. As with the Aggregate Bond Fund, the New Fund that would be based on the MBS Index ("MBS Fund") intends to use "to-be-announced" ("TBA") transactions and, in some cases, invest directly in U.S. agency mortgage pass-through securities, to track the performance of U.S. agency mortgage pass-through securities.<sup>5</sup>

<sup>2</sup> If the amended order is granted, the New Funds would also be able to rely on an exemptive order granting certain relief from section 24(d) of the Act to the existing series of the Trust that are subject to the Prior Order. See *iShares, Inc., et al.*, Investment Company Act Release No. 25623 (June 25, 2002) (order).

<sup>3</sup> The Underlying Indices for the New Funds are Lehman Brothers 1–3 Year U.S. Credit Index ("1–3 Year Credit Index") and Lehman Brothers U.S. MBS Fixed Rate Index ("MBS Index").

<sup>4</sup> The Lehman Brothers U.S. Aggregate Index ("Aggregate Index") is the underlying index of *iShares U.S. Aggregate Bond Fund* ("Aggregate Fund").

<sup>5</sup> "TBA" refers to a mechanism for the forward settlement of United States agency mortgage-pass through securities that permits the United States

5. The investment objective of each New Fund will be to provide investment results that correspond generally to the price and yield performance of its relevant Underlying Index. Each New Fund will utilize as an investment approach a representative sampling strategy where each New Fund will seek to hold a representative sample of the component securities of the Underlying Index. The New Fund that would track the 1–3 Year Credit Index will invest at least 90% of its assets in the component securities of its Underlying Index and may invest the remainder of its assets in certain futures, options, and swap contracts, cash and cash equivalents, and in bonds not included in its Underlying Index which the Adviser believes will help the New Fund track its Underlying Index. The MBS Fund will have at least 90% of its assets invested in: (a) Component securities of its Underlying Index and (b) investments that have economic characteristics that are substantially identical to the economic characteristics of the component securities of its Underlying Index (*i.e.*, the TBAs, as discussed above).<sup>6</sup> The MBS Fund may invest the remainder of its assets in certain futures, options, and swap contracts, cash and cash equivalents, and in bonds not included in its Underlying Index which the Adviser believes will help the New Fund track its Underlying Index. Applicants expect that each New Fund will have a tracking error relative to the performance of its respective Underlying Index of no more than 5 percent.

6. Applicants state that all discussions contained in the application for the Prior Order are equally applicable to the New Funds, except as specifically noted by applicants (as summarized above). Applicants agree that the amended order will subject applicants to the same conditions as imposed by the Prior Order. Applicants believe that the requested relief continues to meet the necessary exemptive standards.

agency mortgage-pass through securities to be traded interchangeably pursuant to commonly observed settlement and delivery requirements. Applicants state that the use of TBA transactions permits investors to obtain exposure to U.S. agency mortgage pass-through securities, while promoting liquidity and price transparency.

<sup>6</sup> As with the process used by the Aggregate Fund, the MBS Fund may accept delivery of a specified amount of "cash-in-lieu" of delivery of the designated U.S. agency mortgage pass-through securities or TBAs. This practice could result in cash-only creations and redemptions. Applicants do not believe that the acceptance of "cash-in-lieu" of U.S. agency mortgage pass-through securities or TBAs on a regular basis by the MBS Fund presents any material or unforeseen operation issues or will otherwise have a negative impact on the operation of the MBS Fund or the secondary market trading of shares of the MBS Fund.

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

**J. Lynn Taylor,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53908]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Declaration of Effectiveness of the Fingerprint Plan of the NASDAQ Stock Market LLC

May 31, 2006.

On May 30, 2006, the NASDAQ Stock Market LLC ("Nasdaq") filed with the Securities and Exchange Commission ("Commission" or "SEC") a fingerprint plan ("Plan") pursuant to Rule 17f–2(c)<sup>1</sup> under the Securities Exchange Act of 1934 ("Act").<sup>2</sup>

Nasdaq believes that the Plan will facilitate compliance by Nasdaq members and Nasdaq member applicants (together, "participants") with section 17(f)(2) of the Exchange Act and Rule 17f–2 thereunder, by providing a facility for participants to have the fingerprints of their partners, directors, officers, and employees processed by the Attorney General of the United States or his designee ("Attorney General").

The Plan will be administered for Nasdaq by NASD Regulation, Inc. ("NASDR") and the National Association of Securities Dealers, Inc. ("NASD"), the parent corporation of NASDR, pursuant to a regulatory services agreement between NASDR and Nasdaq (the "Regulatory Contract"). The Commission notes that, notwithstanding the fact that Nasdaq has entered into the Regulatory Contract to have NASDR perform some of Nasdaq's functions, Nasdaq shall retain ultimate legal responsibility for, and control of, such functions.

Under the Plan, participants submit fingerprints and identifying information, on paper or electronically, to the NASD, which then forwards the cards to the Federal Bureau of Investigation ("FBI") (the fingerprint processing arm of the Attorney General). The FBI identifies submitted fingerprints, retrieves relevant criminal history information, and returns fingerprint reports (including the original paper fingerprint cards, if any)

<sup>1</sup> 17 CFR 240.17f–2(c).

<sup>2</sup> 15 U.S.C. 78a *et seq.*

to authorized recipients (*i.e.*, to a participant that submitted the fingerprints and to regulators for licensing, registration and other regulatory purposes). Under the terms of the Plan, participants will be able to view the status and results of fingerprints, including any relevant criminal history information, through the NASD's Central Registration Depository (CRD®) system after submission to the Attorney General.

The Commission has reviewed the procedures detailed in the Plan and believes that the Plan is consistent with the public interest and the protection of investors. Thus, the Commission declares the Plan to be effective.

The Commission notes that securities industry fingerprinting procedures are in a state of flux due to rapidly advancing technology. In the event that an industry-wide standard is adopted or becomes prevalent and in the event that this Plan substantially differs therefrom, the Commission would expect Nasdaq to revise its fingerprint plan to incorporate the industry-wide standard.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

**J. Lynn Taylor,**  
Assistant Secretary.

#### **Exhibit A—The NASDAQ Stock Market LLC; Fingerprint Plan**

The NASDAQ Stock Market LLC ("Nasdaq") submits this Fingerprint Plan ("Plan") pursuant to Rule 17f-2(c) under the Securities Exchange Act of 1934 ("Exchange Act").

The purpose of this Plan is to facilitate compliance by Nasdaq members and Nasdaq member applicants with section 17(f)(2) of the Exchange Act and Rule 17f-2 thereunder, by providing a mechanism for Nasdaq members and Nasdaq member applicants to have the fingerprints of their partners, directors, officers, and employees processed by the Attorney General of the United States or his designee (hereinafter "Attorney General") as required by section 17(f)(2) of the Exchange Act and Rule 17f-2 thereunder. The Plan will be administered for Nasdaq by NASD Regulation, Inc. ("NASDR") and the National Association of Securities Dealers, Inc. ("NASD"), the parent corporation of NASDR, pursuant to a regulatory services agreement between NASDR and Nasdaq (the "Regulatory Contract"). In the event that Nasdaq enters into a contract to administer the Plan with a regulatory service provider other than NASDR or decides to

administer the Plan itself, Nasdaq shall file an amendment to the Plan with the Securities and Exchange Commission (the "Commission"). Notwithstanding the fact that Nasdaq has entered into the Regulatory Contract to have NASDR perform some of Nasdaq's functions, Nasdaq shall retain ultimate legal responsibility for, and control of, such functions.

NASD, pursuant to a Plan filed with and declared effective by the Commission,<sup>4</sup> processes fingerprint records of securities industry participants as described herein consistent with section 17(f)(2) of the Exchange Act and Rule 17f-2 thereunder.

NASD accepts fingerprints and identifying information from associated persons of Nasdaq members and Nasdaq member applicants required to be fingerprinted pursuant to Rule 17f-2. Nasdaq members and Nasdaq member applicants may submit fingerprints and identifying information on paper or electronically, provided such submissions are consistent with protocols and requirements established by the Attorney General.

NASD transmits fingerprints and identifying information, on paper or electronically, to the Attorney General for identification and processing, consistent with protocols and requirements established by the Attorney General.

NASD receives processed results from the Attorney General (on paper or electronically) and transmits those results via paper or electronic means to authorized recipients (*i.e.*, to a Nasdaq member or Nasdaq member applicant that submitted the fingerprints and to regulators for licensing, registration and other regulatory purposes), consistent with protocols and requirements established by the Attorney General. In cases where the Attorney General's search on the fingerprints submitted fails to disclose prior arrest data, NASD transmits that result to the Nasdaq member or Nasdaq member applicant that submitted the fingerprints. In cases where the Attorney General's search yields Criminal History Record Information (CHRI), NASD transmits that information to the Nasdaq member or Nasdaq member applicant that submitted the fingerprints. With respect to Nasdaq members, NASD also reviews any CHRI returned by the Attorney General to identify persons who may be subject to statutory disqualification under the Exchange Act and notifies NASD and Nasdaq staff to take action,

as appropriate, with respect to such persons.

Nasdaq advises its members and member applicants of the availability of fingerprint services and any fees charged in connection with those services and the processing of fingerprints pursuant to this Plan. Nasdaq will file any such Nasdaq member fees with the Commission pursuant to section 19(b) of the Exchange Act.

NASD maintains copies of fingerprint processing results received from the Attorney General with respect to fingerprints submitted by NASD pursuant to this Plan, in accordance with Nasdaq's record retention obligations under the Act. Any maintenance of fingerprint records by NASD shall be for NASD's and Nasdaq's own administrative purposes, and NASD is not undertaking to maintain fingerprint records on behalf of Nasdaq members pursuant to Rule 17f-2(d)(2). NASD records in the Central Registration Depository (CRD) the status of fingerprints submitted to the Attorney General. Through the CRD system, NASD makes available to a Nasdaq member that has submitted fingerprints the status and results of such fingerprints after submission to the Attorney General.

Neither NASD nor Nasdaq shall be liable for losses or damages of any kind in connection with fingerprinting services, as a result of a failure to follow, or properly to follow, the procedures described above, or as a result of lost or delayed fingerprint cards, electronic fingerprint records, or fingerprint reports, or as a result of any action by NASD or Nasdaq or NASD's or Nasdaq's failure to take action in connection with this Plan.

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#### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-53917; File No. SR-Amex-2005-116]

#### **Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Amendment No. 1 Thereto Relating to Written Compliance and Supervisory Controls**

June 1, 2006.

#### **I. Introduction**

On November 7, 2005, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission

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

<sup>4</sup> Securities Exchange Act Release No. 53751 (May 2, 2006), 71 FR 27299 (May 10, 2006).