

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53639; File No. SR-NYSE-2006-16)

April 12, 2006

Self-Regulatory Organizations; New York Stock Exchange, Inc. (n/k/a New York Stock Exchange LLC); Notice of Filing of Proposed Rule Change and Amendment No. 1 thereto Relating to the Proposal to List and Trade Index-Linked Securities of Barclays Bank PLC Linked to the Performance of the Dow Jones - AIG Commodity Index Total Return

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on March 6, 2006, the New York Stock Exchange, Inc. (n/k/a New York Stock Exchange LLC) (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. On March 27, 2006, NYSE filed Amendment No. 1 to the proposed rule change.<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 NYSE is proposing to list and trade notes issued by Barclays Bank PLC (“Barclays”) linked to the performance of the Dow Jones - AIG Commodity Index Total Return (“Index”) (“DJ-AIG Notes” or “Notes”). The text of the proposed rule change is

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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> In Amendment No. 1, the Exchange notes its proposed Supplementary Material to Rule 1301B in SR-NYSE-2006-17, which sets forth guidelines for specialists applicable to this product. The Exchange also makes clarifying and technical changes to this proposal in Amendment No. 1.

available on the NYSE's Web site (<http://www.nyse.com>), at the NYSE's Office of the Secretary, 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 NYSE 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 IV below. The NYSE 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 DJ-AIG Notes**

Under Section 703.19 ("Other Securities") of the NYSE Listed Company Manual (the "Manual"), the Exchange may approve for listing and trading securities not otherwise covered by the criteria of Sections 1 and 7 of the Manual, provided the issue is suited for auction market trading.<sup>4</sup> The Exchange proposes to list and trade, pursuant to Section 703.19 of the Manual, the Notes, which are linked to the performance of the Index. Barclays intends to issue the Notes under the name "iPath<sup>SM</sup> Exchange-Traded Notes."<sup>5</sup>

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<sup>4</sup> Securities Exchange Act Release No. 28217 (July 18, 1990), 55 FR 30056 (July 24, 1990).

<sup>5</sup> Dow Jones & Company, Inc. ("Dow Jones"), AIG Financial Products Corp. ("AIG-FP"), and Barclays have entered into a non-exclusive license agreement providing for the license to Barclays, and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the Index, which is published by Dow Jones.

The Exchange believes that the Notes will conform to the initial listing standards for equity securities under Section 703.19, as Barclays is an affiliate of Barclays PLC,<sup>6</sup> an Exchange listed company in good standing, the Notes will have a minimum life of one year, the minimum public market value of the Notes at the time of issuance will exceed \$4 million, there will be at least one million Notes outstanding, and there will be at least 400 holders at the time of issuance.

The Notes are a series of medium-term debt securities of Barclays that provide for a cash payment at maturity or upon earlier exchange at the holder's option, based on the performance of the Index, subject to the adjustments described below. The principal amount of each Note is expected to be \$50. The Notes will trade on the Exchange's equity trading floor, and the Exchange's existing equity trading rules will apply to trading the Notes. The Notes will not have a minimum principal amount that will be repaid and, accordingly, payment on the Notes prior to or at maturity may be less than the original issue price of the Notes. In fact, the value of the Index must increase for the investor to receive at least the \$50 principal amount per Note at maturity or upon exchange or redemption. If the value of the Index decreases or does not increase sufficiently to offset the investor fee (described below), the investor will receive less, and possibly

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<sup>6</sup> The issuer of the Notes, Barclays, is an affiliate of an Exchange-listed company (Barclays PLC) and not an Exchange-listed company itself. However, Barclays itself, though an affiliate of Barclays PLC, would exceed the Exchange's earnings and minimum tangible net worth requirements in Section 102. Additionally, the Exchange states that the Notes when combined with the original issue price of all other Note offerings of the issuer that are listed on a national securities exchange (or association) does not exceed 25% of the issuer's net worth. Telephone conference between Florence E. Harmon, Senior Special Counsel, Division of Market Regulation ("Division"), Commission and John Carey, Assistant General Counsel, Exchange, on April 11, 2006 ("April 11 Telephone Conference").

significantly less, than the \$50 principal amount per Note. In addition, holders of the Notes will not receive any interest payments from the Notes. The Notes are expected to have a term of 10 to 30 years. The Notes are not callable.<sup>7</sup>

Holders who have not previously redeemed their Notes will receive a cash payment at maturity equal to the principal amount of their Notes times the index factor on the Final Valuation Date (as defined below) minus the investor fee on the Final Valuation Date. The “index factor” on any given day will be equal to the closing value of the Index on that day divided by the initial index level. The “initial index level” is the closing value of the Index on the date of issuance of the Notes (the “Trade Date”), and the “final index level” is the closing value of the Index on the Final Valuation Date. The investor fee is equal to 0.75% per year times the principal amount of a holder’s Notes times the index factor, calculated on a daily basis in the following manner: The investor fee on the Trade Date will equal zero. On each subsequent calendar day until maturity or early redemption, the investor fee will increase by an amount equal to 0.75% times the principal amount of a holder’s Notes times the index factor on that day (or, if such day is not a trading day, the index factor on the immediately preceding trading day) divided by 365. The investor fee is the only fee holders will be charged in connection with their ownership of the Notes.

Prior to maturity, holders may redeem their Notes on any Redemption Date (defined below) during the term of the Notes, provided that they present at least 50,000 Notes for redemption, or they act through a broker or other financial intermediaries (such as a bank or other financial institution not required to register as a broker-dealer to

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<sup>7</sup> April 11 Telephone Conference.

engage in securities transactions) that are willing to bundle their Notes for redemption with other investors' Notes. If a holder chooses to redeem his Notes, the holder will receive a cash payment on the applicable Redemption Date equal to the principal amount of his Notes times the index factor on the applicable Valuation Date (defined below) minus the investor fee on the applicable Valuation Date. A "Redemption Date" is the third business day following a Valuation Date (other than the Final Valuation Date (defined below)). A "Valuation Date" is each Thursday from the first Thursday after issuance of the Notes until the last Thursday before maturity of the Notes (the "Final Valuation Date") inclusive (or, if such date is not a trading day,<sup>8</sup> the next succeeding trading day), unless the calculation agent determines that a market disruption event, as described below, occurs or is continuing on that day.<sup>9</sup> In that event, the Valuation Date for the maturity date or corresponding Redemption Date, as the case may be, will be the first following trading day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will a Valuation Date be postponed by more than five trading days.

Any of the following will be a market disruption event: (i) a material limitation, suspension or disruption in the trading of any Index component that results in a failure by the trading facility on which the relevant contract is traded to report a daily contract reference price (i.e., the price of the relevant contract that is used as a reference or benchmark by market participants); (ii) the daily contract reference price for any Index

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<sup>8</sup> A "trading day" is a day on which (i) the value of the Index is published by AIG-FP and Dow Jones, (ii) trading is generally conducted on the Exchange, and (iii) trading is generally conducted on the markets on which the futures contracts underlying the Index are traded, in each case as determined by the calculation agent in its sole discretion.

<sup>9</sup> Barclays will serve as the initial calculation agent.

component is a “limit price,” which means that the daily contract reference price for such contract has increased or decreased from the previous day’s daily contract reference price by the maximum amount permitted under the applicable rules or procedures of the relevant trading facility; (iii) failure by AIG-FP and Dow Jones to publish the closing value of the Index or of the applicable trading facility or other price source to announce or publish the daily contract reference price for one or more Index component; or (iv) any other event, if the calculation agent determines in its sole discretion that the event materially interferes with Barclays’ ability or the ability of any of Barclays’ affiliates to unwind all or a material portion of a hedge with respect to the Notes that Barclays or Barclays’ affiliates have effected or may effect as described herein in connection with the sale of the Notes.<sup>10</sup>

If a Valuation Date is postponed by five trading days, that fifth day will nevertheless be the date on which the value of the Index will be determined by the calculation agent. In such an event, the calculation agent will make a good faith estimate in its sole discretion of the value of the Index.

To redeem their Notes, holders must instruct their broker or other person through whom they hold their Notes to take the following steps:

- deliver a notice of redemption to Barclays via e-mail by no later than 11:00 a.m. Eastern time (“ET”) on the business day prior to the applicable Valuation Date. If Barclays receives such notice by the time specified in

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<sup>10</sup> If a “market disruption event” is of more than a temporary nature, the Exchange will file a proposed rule change pursuant to Rule 19b-4 seeking Commission approval to continue to trade the Notes. (17 CFR 240.19b-4.) Unless approved for continued trading, the Exchange would commence delisting proceedings. See “Continued Listing Criteria,” *infra*. Telephone conference between Florence E. Harmon, Senior Special Counsel, Division, Commission; John Carey, Assistant General Counsel, Exchange; and Mike Cavalier, Assistant General Counsel, Exchange, on April 10, 2006 (“April 10 Telephone Conference”).

the preceding sentence, it will respond by sending the holder a confirmation of redemption;

- deliver the signed confirmation of redemption to Barclays via facsimile in the specified form by 4:00 p.m. ET on the same day; Barclays must acknowledge receipt in order for the confirmation to be effective; and
- transfer such holder's book-entry interest in its Notes to the trustee, The Bank of New York, on Barclays' behalf at or prior to 10:00 a.m. ET<sup>11</sup> on the applicable Redemption Date (the third business day following the Valuation Date).

If holders elect to redeem their Notes, Barclays may request that Barclays Capital Inc. (a broker-dealer) purchase the Notes for the cash amount that would otherwise have been payable by Barclays upon redemption. In this case, Barclays will remain obligated to redeem the Notes if Barclays Capital Inc. fails to purchase the Notes. Any Notes purchased by Barclays Capital Inc. may remain outstanding.

If an event of default occurs and the maturity of the Notes is accelerated, Barclays will pay the default amount in respect of the principal of the Notes at maturity. The default amount for the Notes on any day will be an amount, determined by the calculation agent in its sole discretion, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all Barclays' payment and other obligations with respect to the Notes as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to the holders of the Notes with respect to the Notes. That cost will equal:

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<sup>11</sup> The Exchange authorized the Commission staff to clarify time zone references here and elsewhere in the proposal. Telephone conference between Florence E. Harmon, Senior Special Counsel, Division, Commission; John Carey, Assistant General Counsel, Exchange; and Mike Cavalier, Assistant General Counsel, Exchange, on March 29, 2006 ("March 29 Telephone Conference").

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Notes in preparing any documentation necessary for this assumption or undertaking.<sup>12</sup>

### **Indicative Value**

An intraday "Indicative Value" meant to approximate the intrinsic economic value of the Notes will be calculated and published via the facilities of the Consolidated Tape Association every 15 seconds throughout the NYSE trading day on each day on which the Notes are traded on the Exchange.<sup>13</sup> Additionally, Barclays or an affiliate will calculate and publish the closing Indicative Value of the Notes on each trading day at [www.ipathetn.com](http://www.ipathetn.com). In connection with the Notes, the term "Indicative Value" refers to the value at a given time based on the following equation:

$$\text{Indicative Value} = \text{Principal Amount per Unit} \times (\text{Current Index Level} / \text{Initial Index Level}) - \text{Current Investor Fee}$$

where:

- Principal Amount per Unit = \$50

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<sup>12</sup> Additional information about the default provisions of the Notes is provided in the Exchange's Form 19b-4 and Barclays Bank PLC Registration Statement Form F-3 (333-126811), as amended by Amendment No. 1 on September 11, 2005.

<sup>13</sup> The Indicative Value calculation will be provided for reference purposes only. It is not intended as a price or quotation, or as an offer or solicitation for the purchase, sale, redemption or termination of the Notes, nor does it reflect hedging or transaction costs, credit considerations, market liquidity, or bid-offer spreads. Published Index levels from the index sponsors may occasionally be subject to delay or postponement. Any such delays or postponements will affect the Current Index Level and therefore the Indicative Value of the Notes. Index levels provided by the index sponsors will not necessarily reflect the depth and liquidity of the underlying commodities markets. For this reason and others, the actual trading price of the Notes may be different from their Indicative Value.



- Current Index Level = The most recent published level of the Index as reported by Dow Jones and AIG-FP.
- Initial Index Level = The Index level on the trade date for the Notes.
- Current Investor Fee = The most recent daily calculation of the investor fee with respect to the Notes, determined as described above (which, during any trading day, will be the investor fee determined on the preceding calendar day).

The Indicative Value will not reflect price changes to the price of an underlying commodity between the close of trading of the futures contract at the relevant futures exchange and the close of trading of the Notes on the NYSE at 4:00 p.m. ET.<sup>14</sup> The value of the Notes may accordingly be influenced by non-concurrent trading hours between the NYSE and the various futures exchanges on which the futures contracts based on the Index commodities are traded. While the Notes will trade on the NYSE from 9:30 a.m. to 4:00 p.m. ET, the table below lists the trading hours in ET for each of the Index components.

CBOT

Corn	10:30 a.m. - 2:15 p.m.
Soybeans	10:30 a.m. - 2:15 p.m.
Soybean Oil	10:30 a.m. - 2:15 p.m.
Wheat	10:30 a.m. - 2:15 p.m.

CME

Lean Hogs	10:10 a.m. - 2:00 p.m.
Live Cattle	10:05 a.m. - 2:00 p.m.

COMEX

Copper	8:10 a.m. - 1:00 p.m.
Gold	8:20 a.m. - 1:30 p.m.
Silver	8:25 a.m. - 1:25 p.m.

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<sup>14</sup> April 11 Telephone Conference (confirming Notes will trade until 4:00 p.m. ET).

<u>CSCE</u>	
Coffee	9:15 a.m. - 12:30 p.m.
Sugar #11	9:00 a.m. - 12:00 p.m.

<u>NYBOT</u>	
Cotton #2	10:30 a.m. - 2:15 p.m.

<u>NYMEX</u>	
Heating Oil	10:05 a.m. - 2:30 p.m.
Natural Gas	10:00 a.m. - 2:30 p.m.
Unleaded Gasoline <sup>15</sup>	10:05 a.m. - 2:30 p.m.
WTI Crude Oil	10:00 a.m. - 2:30 p.m.

<u>LME</u>	
Aluminum	6:55 a.m. - 12:00 p.m.
Nickel	7:15 a.m. - 11:55 a.m.
Zinc	7:10 a.m. - 11:55 a.m.

While the market for futures trading for each of the Index commodities is open, the Indicative Value can be expected to closely approximate the redemption value of the Notes. However, during the NYSE trading hours when the futures contracts have ceased trading, spreads and resulting premiums or discounts may widen, and therefore, increase the difference between the price of the Notes and their redemption value. The Exchange states that the Indicative Value disseminated during the NYSE trading hours should not be viewed as a real time update of the redemption value.

### **Description of the Index**

The Exchange states that all disclosure in this filing regarding the Index is derived from publicly available information.

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<sup>15</sup> On March 3, 2006, the Oversight Committee of the Dow Jones-AIG Commodity Index announced that the Reformulated Gasoline Blendstock for Oxygen Blending (“RB”) futures contract traded on the New York Mercantile Exchange (“NYMEX”) will replace the New York Harbor Unleaded Gasoline (“HU”) futures contract also traded on NYMEX. Telephone conference between Brian Trackman, Special Counsel, Division, Commission, and John Carey, Exchange, on March 30, 2006.

The Exchange states that the Index was introduced in July 1998 to provide a unique, diversified, economically rational and liquid benchmark for commodities as an asset class. The Index is designed to be a diversified benchmark for commodities as an asset class and reflects the returns that are potentially available through an unleveraged investment in the futures contracts on physical commodities comprising the Index<sup>16</sup> plus the rate of interest that could be earned on cash collateral invested in specified Treasury Bills.<sup>17</sup> The Index currently is composed of the prices of 19 exchange-traded futures contracts on physical commodities. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. The 19 Index commodities selected for 2006 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, hogs, live cattle, natural gas, nickel, silver, soybeans, soybean oil, sugar, unleaded gasoline, wheat and zinc. Futures contracts on the Index are currently listed for trading on the Chicago Board of Trade (“CBOT”). The Index is a proprietary index that AIGI International Inc. (“AIGI”) developed, that each year is determined by AIG-FP, subject to the oversight and approval of the Oversight

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<sup>16</sup> Futures contracts on physical commodities and commodity indices are traded on regulated futures exchanges. The Exchange states that futures exchanges in the United States are subject to regulation by the Commodity Futures Trading Commission and futures markets outside the United States are generally subject to regulation by comparable regulatory authorities.

<sup>17</sup> These returns are calculated by using the 91-day U.S. Treasury Bill auction rate, designated as “High Rate” as published in the “Treasury Security Auction Results” report, published by the Bureau of the Public Debt currently available on its Web site ([www.publicdebt.treas.gov/AI/AIGateway](http://www.publicdebt.treas.gov/AI/AIGateway)), which is generally published once per week on Monday.

Committee, and that Dow Jones calculates.<sup>18</sup> The methodology for determining the composition and weighting of the Index and for calculating its value is subject to modification by Dow Jones and AIG-FP at any time.<sup>19</sup> Dow Jones disseminates the Index value at least every 15 seconds<sup>20</sup> (assuming the Index value has changed within such 15 second interval) from 8:00 a.m. to 3:00 p.m. ET and publishes a daily Index value at approximately 4:00 p.m. ET on each DJ-AIG Business Day (as defined below) on Reuters page AIGCII.<sup>21</sup> The Index value can still be retrieved after 3:00 p.m. ET until the end of the Exchange trading day, but its value is generally static after 3:00 p.m. ET, although it may change if settlement values for Index components become available after

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<sup>18</sup> AIG-FP is not a broker-dealer or futures commission merchant; however, AIG-PF may have such affiliates. Therefore, AIG-FP will (i) implement and maintain procedures reasonably designed to prevent the use and dissemination by relevant employees of AIG-FP, in violation of applicable laws, rules and regulations, of material non-public information relating to changes in the composition or method of computation or calculation of the Index and (ii) periodically check the application of such procedures as they relate to officers and directors of AIG-FP directly responsible for such changes. Barclays has informed the Exchange that Dow Jones does not have any affiliates engaged in the securities or commodities trading businesses and, as such, does not believe that such firewall procedures are necessary in its case. In addition, the Oversight Committee and Dow Jones will adopt and maintain policies that acknowledge their obligations with respect to material non-public information. April 11 Telephone Conference.

<sup>19</sup> In such case, the Commission would expect the Exchange to file a proposed rule change pursuant to Rule 19b-4 (17 CFR 240.19b-4), seeking Commission approval to continue trading the Notes. Unless approved for continued trading, the Exchange would commence delisting proceedings. See “Continued Listing Criteria,” infra. April 10 Telephone Conference.

<sup>20</sup> April 11 Telephone Conference.

<sup>21</sup> The Oversight Committee (defined below) may exclude any otherwise eligible contract from the Index if it determines that it has an inadequate trading window. The Index currently includes contracts traded on the London Metal Exchange (“LME”), which is located in London. During the hours where the LME is closed, Dow Jones uses the last price and uses the settlement price once it is available in order to publish the Index value through the end of the trading day. The Index value does not reflect any after-hours or overnight trading in contracts traded on the LME.

that time. A DJ-AIG Business Day (“DJ-AIG Business Day”) is a day on which the sum of the Commodity Index Percentages (as defined below) for the Index commodities that are available to trade is greater than 50%. For example, based on the weighting of the Index commodities for 2006, if the CBOT and the NYMEX are closed for trading on the same day, a DJ-AIG Business Day will not exist.<sup>22</sup>

Dow Jones and AIGI have established the Dow Jones-AIG Commodity Index Oversight Committee (the “Oversight Committee”) to assist them in connection with the operation of the Index. The Exchange states that the Oversight Committee includes prominent members of the financial and academic communities selected by AIG-FP and meets annually to consider any changes to be made to the Index for the coming year.<sup>23</sup> The Oversight Committee may also meet at such other times as may be necessary. As described in more detail below, the Index is re-weighted and rebalanced each year in January on a price-percentage basis. The annual weightings for the Index are determined each year in June or July by AIG-FP under the supervision of the Oversight Committee, announced after approval by the Oversight Committee, and implemented the following January. The composition of the Index for 2006 was approved following a meeting in July 2005. The Index reweighting and rebalancing took place in January 2006 based on the following composition percentages for the Index for 2006:

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<sup>22</sup> The Index value will be disseminated at least every 15 seconds and the daily Index value to be calculated and disseminated during the time the Notes trade on the Exchange. April 11 Telephone Conference.

<sup>23</sup> The following are the current members of the Oversight Committee and each member’s respective affiliation: John Crow (director of Rockwater Capital Corporation and former Governor of the Bank of Canada), Daniel M. Raab (AIG), Gilles Poulin (National Bank of Canada), Ronald Layard-Liesching (Pareto Partners), Stephen Figlewski (Professor of Finance at New York University) and John A. Prestbo (Dow Jones).

**The Dow Jones-AIG Commodity Index<sup>SM</sup> 2006 Commodity Index Percentages**

**Commodity Weighting**

Natural Gas .....	12.315174%
Crude Oil .....	12.783801%
Unleaded Gas <sup>24</sup> .....	4.054908%
Heating Oil .....	3.846118%
Live Cattle .....	6.093791%
Lean Hogs .....	4.351381%
Wheat .....	4.772085%
Corn .....	5.873635%
Soybeans .....	7.766934%
Soybean Oil .....	2.765764%
Aluminum .....	6.851975%
Copper .....	5.880787%
Zinc .....	2.702377%
Nickel .....	2.659153%
Gold .....	6.220211%
Silver.....	2.000000%
Sugar .....	2.967351%
Cotton .....	3.163003%
Coffee.....	2.931553%

The Exchange states that a number of commodities have been selected that are believed to be sufficiently significant to the world economy to merit consideration for inclusion in the Index and which are the subject of a qualifying related futures contract. With the exception of several metals contracts (aluminum, lead, tin, nickel and zinc) that trade on the LME, each of the potential commodities is the subject of a futures contract that trades on a U.S. exchange. The 23 potential commodities currently considered for inclusion in the Index are aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lead, cattle, hogs, natural gas, nickel, platinum, silver, soybeans, soybean oil, sugar, tin, unleaded gasoline,<sup>25</sup> wheat and zinc. The 19 Index commodities selected for

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<sup>24</sup> See footnote 15, supra.

<sup>25</sup> Id.

2006 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, hogs, live cattle, natural gas, nickel, silver, soybeans, soybean oil, sugar, unleaded gasoline, wheat and zinc.

A futures contract known as a Designated Contract is selected for each commodity. With the exception of several LME contracts, where the Oversight Committee believes that there exists more than one futures contract with sufficient liquidity to be chosen as a Designated Contract for a commodity, the Oversight Committee selects the futures contract that is traded in North America and denominated in dollars. If more than one such contract exists, the Oversight Committee selects the most actively traded contract. Data concerning this Designated Contract will be used to calculate the Index. The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced, a comparable futures contract would be selected, if available, to replace that Designated Contract. The Designated Contracts for the commodities included in the Index for 2005 were as follows:

#### **Index Breakdown As of December 30, 2005**

<b>Commodity</b>	<b>Designated Contract</b>	<b>Exchange</b>	<b>Weighting</b>
Aluminum	High Grade Primary Aluminum	LME	6.77%
Coffee	Coffee "C"	CSCE	2.55%
Copper	Copper	COMEX	6.66%
Corn	Corn	CBOT	4.68%
Cotton	Cotton	NYCE	2.91%
Crude Oil	Light, Sweet Crude Oil	NYMEX	13.20%
Gold	Gold	COMEX	5.61%
Heating Oil	Heating Oil	NYMEX	4.13%
Live Cattle	Live Cattle	CME	5.11%

Lean Hogs	Lean Hogs	CME	2.88%
	Henry Hub		
Natural Gas	Natural Gas	NYMEX	17.38%
Nickel	Primary Nickel	LME	1.84%
Silver	Silver	COMEX	2.10%
Soybeans	Soybeans	CBOT	6.67%
	World Sugar No.		
Sugar	11	CSCE	3.65%
Unleaded Gasoline <sup>26</sup>	New York	NYMEX	4.35%
	Harbor		
	Unleaded		
	Gasoline		
Wheat	Wheat	CBOT	4.08%
	Special High		
Zinc	Grade Zinc	LME	3.22%
Soybean Oil	Soybean Oil	CBOT	2.21%

For the purposes of applying the diversification rules discussed above and below, the commodities considered for inclusion in the Index are assigned to “Commodity Groups.” The Commodity Groups and their effective target rounded weightings for 2006 are as follows:

#### **Index Breakdown by Commodity Group**

Energy.....	33.00000%
Precious Metals.....	8.22021%
Industrial Metals.....	18.09429%
Livestock.....	10.44517%
Grains.....	21.17842%
Softs.....	9.06191%

#### **Commodities Included in 2006 Are:**

Energy:  
Crude Oil  
Heating Oil  
Natural Gas  
Unleaded Gasoline<sup>27</sup>

Precious Metals:  
Gold  
Silver

Industrial Metals:  
Aluminum  
Copper

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<sup>26</sup> Id.

<sup>27</sup> Id.



Nickel  
Zinc

Livestock:  
Lean Hogs  
Live Cattle

Grains:  
Corn  
Soybeans  
Wheat  
Soybean Oil

Softs:  
Coffee  
Cotton  
Sugar

The relative weightings of the component commodities included in the Index are determined annually according to both liquidity and dollar adjusted production data in 2/3 and 1/3 shares, respectively. Each June, for each commodity designated for potential inclusion in the Index, liquidity is measured by the Commodity Liquidity Percentage (“CLP”) and production by the Commodity Production Percentage (“CPP”). The CLP for each commodity is determined by taking a five-year average of the product of trading volume and the historic dollar value of the Designated Contract for that commodity, and dividing the result by the sum of such products for all commodities which were designated for potential inclusion in the Index. The CPP is determined for each commodity by taking a five-year average of annual world production figures, adjusted by the historic dollar value of the Designated Contract, and dividing the result by the sum of such production figures for all the commodities, which were designated for potential inclusion in the Index. The CLP and the CPP are then combined (using a ratio of 2:1) to establish the Commodity Index Percentage (“CIP”) for each commodity. This CIP is then adjusted in accordance with certain diversification rules in order to determine the

commodities, which will be included in the Index and their respective percentage weights.

The Index is designed to provide diversified exposure to commodities as an asset class. To ensure that no single commodity or commodity sector dominates the Index, the following diversification rules are applied to the annual re-weighting and rebalancing of the Index as of January of the applicable year:

- No related group of commodities designated as a “Commodity Group” (e.g., energy, precious metals, livestock, or grains) may constitute more than 33% of the Index.
- No single commodity may constitute more than 15% of the Index.
- No single commodity, together with its derivatives (e.g., crude oil, together with heating oil and unleaded gasoline), may constitute more than 25% of the Index.
- No single commodity that is in the Index may constitute less than 2% of the Index.

Following the annual re-weighting and rebalancing of the Index in January, the percentage of any single commodity or group of commodities at any time prior to the next re-weighting or rebalancing will fluctuate and may exceed or be less than the percentages set forth above.

Following application of the diversification rules discussed above, CIPs are incorporated into the Index by calculating the new unit weights for each Index commodity. Near the beginning of each new calendar year (the “CIM Determination Date”), the CIPs, along with the settlement prices on that date for Designated Contracts included in the Index, are used to determine a Commodity Index Multiplier (“CIM”) for each Index commodity. This CIM is used to achieve the percentage weightings of the Index commodities, in dollar terms, indicated by their respective CIPs. After the CIMs

are calculated, they remain fixed throughout the year. As a result, the observed price percentage of each Index commodity will float throughout the year, until the CIMs are reset the following year based on new CIPs.

The Index is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid delivering the underlying physical commodities and to maintain exposure to the underlying physical commodities, periodically futures contracts on physical commodities specifying delivery on a nearby date must be sold and futures contracts on physical commodities that have not yet reached the delivery period must be purchased. The rollover for each contract occurs over a period of five DJ-AIG Business Days each month according to a pre-determined schedule. This process is known as “rolling” a futures position. The Index is a “rolling index.”

The Index is calculated by Dow Jones by applying the impact of the changes to the futures prices of commodities included in the Index (based on the commodities’ relative weightings). Once the CIMs are determined as discussed above, the calculation of the Index is a mathematical process whereby the CIMs for the Index commodities are multiplied by the daily settlement prices in U.S. dollars for the applicable Designated Contracts. These products are then summed. During the rollover period, the sum includes both nearby and deferred contracts weighted according to the specified roll percentage. The percentage change in this sum from the prior day is then applied to the prior Index value. Finally, the value of one day’s interest is added, calculated using the

most recent (lagged by one day) 91-Day U.S. Treasury Bill Auction High Rate to arrive at the current Index value. Dow Jones disseminates the Index value at least every 15 seconds (assuming the Index value has changed within such fifteen-second interval) from 8:00 a.m. to 3:00 p.m. ET, and publishes a daily Index value at approximately 4:00 p.m. ET on each DJ-AIG Business Day on its Web site at <http://www.djindexes.com>.<sup>28</sup>

Since its inception, the Index has experienced significant fluctuations. Any historical upward or downward trend in the value of the Index during any period shown below is not an indication that the value of the Index is more or less likely to increase or decrease at any time during the term of the Notes. The historical Index levels do not give an indication of future performance of the Index. There can be no assurance that the future performance of the Index or the Index commodities will result in holders of the Notes receiving a positive return on their investment. For purposes of determining the average index performance, the initial index level will be the closing level of the Index on the initial valuation date.

The Index was launched on July 14, 1998. The Exchange states that all data relating to the period prior to the launch of the Index is an historical estimate by the index sponsors using available data as to how the Index may have performed in the pre-launch period based upon the percentage weightings in effect in 1998. The Exchange states that such data does not represent actual performance and should not be interpreted as an indication of actual performance.

Accordingly, the following table illustrates:

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<sup>28</sup> The Index value is static from 3:00 p.m. to 4:00 p.m. ET other than modifications to reflect settlement prices becoming available. April 11 Telephone Conference.

- (i) on a hypothetical basis, how the Index would have performed from December 31, 1991 to December 31, 1997 based on the selection criteria and methodology described above; and
- (ii) on an actual basis, how the Index has performed from December 31, 1998 onwards.

December 31, 1991.....	94.245
December 31, 1992 .....	97.736
December 31, 1993 .....	96.694
December 30, 1994 .....	112.755
December 29, 1995.....	129.908
December 31, 1996.....	160.001
December 31, 1997.....	154.579
December 31, 1998.....	112.796
December 31, 1999.....	140.257
December 29, 2000.....	184.917
December 31, 2001.....	148.843
December 31, 2002.....	187.401
December 31, 2003.....	232.249
December 31, 2004.....	253.495
December 30, 2005.....	307.650

Source: Bloomberg

If AIG-FP and Dow Jones discontinue publication of the Index and they or any other person or entity publishes a substitute index that the calculation agent determines is comparable to the Index and approves as a successor index, then the calculation agent will determine the value of the Index and the amount payable at maturity or upon redemption by reference to such successor index.<sup>29</sup> If the calculation agent determines that the publication of the Index is discontinued and that there is no successor index, or that the closing value of the Index is not available because of a market disruption event or for any other reason, on the date on which the value of the Index is required to be

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<sup>29</sup> In such an event, the Commission would expect the Exchange to file a proposed rule change seeking approval to continue trading the Notes. Unless approved for continued trading, the Exchange would commence delisting proceedings. See “Continued Listing Criteria,” *infra*. April 10 Telephone Conference.

determined, or if for any other reason the Index is not available to Barclays or the calculation agent on the relevant date, the calculation agent will determine the amount payable by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index.<sup>30</sup>

If the calculation agent determines that the Index, the Index components, or the method of calculating the Index has been changed at any time in any respect – including any addition, deletion or substitution and any reweighting or rebalancing of Index components, and whether the change is made by AIG-FP and Dow Jones under their existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index components, or is due to any other reason –then the calculation agent will be permitted (but not required) to make such adjustments to the Index or method of calculating the Index as it believes are appropriate to ensure that the value of the Index used to determine the amount payable on the maturity date or upon redemption is equitable.<sup>31</sup>

The Exchange states that all determinations and adjustments to be made by the calculation agent with respect to the value of the Index and the amount payable at maturity or upon redemption or otherwise relating to the value of the Index may be made by the calculation agent in its sole discretion.<sup>32</sup>

### **Continued Listing Criteria**

The Exchange prohibits the initial and/or continued listing of any security that is

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<sup>30</sup> Id.

<sup>31</sup> Id.

<sup>32</sup> Id.

not in compliance with Rule 10A-3 under the Act.<sup>33</sup>

The Exchange will delist the Notes:

- If, following the initial twelve month period from the date of commencement of trading of the Notes, the Notes have more than 60 days remaining until maturity and there are fewer than 50 beneficial holders of the Notes for 30 or more consecutive trading days; (ii) if fewer than 50,000 Notes remain issued and outstanding; or (iii) if the market value of all outstanding Notes is less than \$1,000,000;
- If the Index value ceases to be calculated or available during the time the Notes trade on the Exchange on at least a 15 second basis through one or more major market data vendors;
- If, during the time the Notes trade on the Exchange, the Indicative Value ceases to be available on a 15 second delayed basis; or
- If such other event shall occur or condition exists which in the opinion of the Exchange makes further dealings on the Exchange inadvisable.

Additionally, the Exchange will file a proposed rule change pursuant to Rule 19b-4 under the Act<sup>34</sup> seeking approval to continue trading the Notes and unless approved, the Exchange will commence delisting the Notes if:

- Dow Jones and AIG-FP substantially change either the Index component selection methodology or the weighting methodology;
- If a new component is added to the Index (or pricing information is used for a new or existing component) that constitutes more than 10% of the weight of the Index with whose principal trading market the Exchange does not have a comprehensive surveillance sharing agreement;<sup>35</sup> or
- If a successor or substitute index is used in connection with the Notes. The filing will address, among other things the listing and trading characteristics of the successor or substitute index and the Exchange's surveillance procedures applicable thereto.

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<sup>33</sup> 17 CFR 240.10A-3.

<sup>34</sup> 17 CFR 240.19b-4.

<sup>35</sup> April 10 Telephone Conference.

## **Trading Rules**

The Exchange's existing equity trading rules will apply to trading of the Notes. The Notes will trade between the hours of 9:30 a.m. and 4:00 p.m. ET<sup>36</sup> and will be subject to the equity margin rules of the Exchange.<sup>37</sup>

### **1. Trading Halts**

The Exchange will cease trading the Notes if there is a halt or disruption in the dissemination of the Index value or the Indicative Value.<sup>38</sup> The Exchange will also cease trading the Notes if a "market disruption event" occurs that is of more than a temporary nature.<sup>39</sup> In the event that the Exchange is open for business on a day that is not a DJ-AIG Business Day, the Exchange will not permit trading of the Notes on that day.

### **2. Specialist Trading Obligations**

The Exchange has proposed Supplementary Material .10 to proposed NYSE Rule 1301B<sup>40</sup> in order to apply the provisions of NYSE Rule 1300B(b) and NYSE Rule 1301B to certain Notes listed on the Exchange pursuant to Section 703.19 ("Other Notes") of the Exchange's Listed Company Manual. Specifically, NYSE Rules 1300B(b) and 1301B will apply to Notes listed under Section 703.19 where the price of such Notes is based in whole or part on the price of (a) a commodity or commodities, (b) any futures contracts

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<sup>36</sup> March 29 Telephone Conference.

<sup>37</sup> See NYSE Rule 431.

<sup>38</sup> In the event the Index value or Indicative Value is no longer calculated or disseminated, the Exchange would immediately contact the Commission to discuss measures that may be appropriate under the circumstances.

<sup>39</sup> In the event a "market disruption event" occurs that is of more than a temporary nature, the Exchange would immediately contact the Commission to discuss measures that may be appropriate under the circumstances.

<sup>40</sup> See Amendment No. 1 to SR-NYSE-2006-17, filed with the Commission on March 24, 2006.



or other derivatives based on a commodity or commodities; or (c) any index based on either (a) or (b) above.

As a result of application of NYSE Rule 1300B(b), the specialist in the Notes, the specialist's member organization and other specified persons will be prohibited under paragraph (m) of NYSE Rule 105 Guidelines from acting as market maker or functioning in any capacity involving market-making responsibilities in the Index components, the commodities underlying the Index components, or options, futures or options on futures on the Index, or any other derivatives (collectively, "derivative instruments") based on the Index or based on any Index component or any physical commodity underlying an Index component. If the member organization acting as specialist in the Notes is entitled to an exemption under NYSE Rule 98 from paragraph (m) of NYSE Rule 105 Guidelines, then that member organization could act in a market making capacity in the Index components, the commodities underlying the Index components, or derivative instruments based on the Index or based on any Index component or commodity underlying an Index component, other than as a specialist in the Notes themselves, in another market center.

Under NYSE Rule 1301B (a), the member organization acting as specialist in the Notes (1) will be obligated to conduct all trading in the Notes in its specialist account, (subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange), (2) will be required to file with the Exchange and keep current a list identifying all accounts for trading in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the

Index components, which the member organization acting as specialist may have or over which it may exercise investment discretion, and (3) will be prohibited from trading in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, in an account in which a member organization acting as specialist, controls trading activities which have not been reported to the Exchange as required by NYSE Rule 1301B.

Under NYSE Rule 1301B (b), the member organization acting as specialist in the Notes will be required to make available to the Exchange such books, records or other information pertaining to transactions by the member organization and other specified persons for its or their own accounts in the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, as may be requested by the Exchange. This requirement is in addition to existing obligations under Exchange rules regarding the production of books and records.

Under NYSE Rule 1301B (c), in connection with trading the Index components or the physical commodities underlying the Index components, or derivative instruments based on the Index or based on the Index components or the physical commodities underlying the Index components, the specialist could not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the Index components or the physical commodities underlying the Index components, or derivative instruments based

on the Index or based on the Index components or the physical commodities underlying the Index components.

### **3. Surveillance**

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Notes and the Index components. The Exchange will rely upon existing NYSE surveillance procedures governing equities with respect to surveillance of the Notes. The Exchange believes that these procedures are adequate to monitor Exchange trading of the Notes and to detect violations of Exchange rules, consequently deterring manipulation. In this regard, the Exchange currently has the authority under NYSE Rule 476 to request the Exchange specialist in the Notes to provide NYSE Regulation with information that the specialist uses in connection with pricing the Notes on the Exchange, including specialist, proprietary or other information regarding Notes, commodities, futures, options on futures or other derivative instruments. The Exchange believes it also has authority to request any other information from its members – including floor brokers, specialists and “upstairs” firms – to fulfill its regulatory obligations.

With regard to the Index components, the Exchange can obtain market surveillance information with respect to transactions occurring on the LME, including customer identity information, pursuant to a memorandum of understanding with the LME. The Exchange also has access to transaction information, including customer identity information with respect to all contracts traded on the NYMEX and COMEX pursuant to the Exchange’s information sharing agreement with NYMEX. All of the other trading venues on which current Index components are traded, namely CBOT,

CSCE and CME, are members of the Intermarket Surveillance Group, and the Exchange therefore has access to all relevant trading information with respect to those contracts without any further action being required on the part of the Exchange. All these surveillance arrangements constitute comprehensive surveillance sharing arrangements.

### **Suitability**

Pursuant to NYSE Rule 405, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Notes.<sup>41</sup> With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees thereof recommending a transaction in the Notes: (1) to determine that such transaction is suitable for the customer, and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of, such transaction.

### **Information Memorandum<sup>42</sup>**

The Exchange will, prior to trading the Notes, distribute a memorandum to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes. The memorandum will note to members language in the prospectus used by Barclays in connection with the sale of the Notes regarding prospectus delivery requirements for the

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<sup>41</sup> NYSE Rule 405 requires that every member, member firm or member corporation use due diligence to learn the essential facts relative to every customer and to every order or account accepted.

<sup>42</sup> The Exchange initially referred to the distributed document in its filing as an “Information Circular.” The Exchange requested that the Commission change the reference to an “Information Memorandum” in the Commission’s Notice. Telephone conference between Kristie Diemer, Attorney, Division, Commission, and John Carey, Assistant General Counsel, Exchange, on April 10, 2006.

Notes. Specifically, in the initial distribution of the Notes,<sup>43</sup> and during any subsequent distribution of the Notes, NYSE members will deliver a prospectus to investors purchasing from such distributors.<sup>44</sup>

The memorandum will discuss the special characteristics and risks of trading this type of security. Specifically, the memorandum, among other things, will discuss what the Notes are, how the Notes are redeemed, applicable Exchange rules, dissemination of information regarding the Index value and the Indicative Value, trading information, and applicable suitability rules.

The memorandum will also notify members and member organizations about the procedures for redemptions of Notes and that Notes are not individually redeemable but are redeemable only in aggregations of at least 50,000 Notes.

The memorandum will also reference the fact that there is no regulated source of last sale information regarding physical commodities and that the SEC has no jurisdiction over the trading of physical commodities or the futures contracts on which the value of the Notes is based, and that the CFTC has no regulatory jurisdiction over the trading of certain foreign based futures contracts. The memorandum will also discuss other exemptive or no-action relief under the Act provided by the Commission staff.<sup>45</sup>

## 2. Statutory Basis

The NYSE believes that the proposed rule change is consistent with the

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<sup>43</sup> The Registration Statement reserves the right to do subsequent distributions of these Notes.

<sup>44</sup> April 10 Telephone Conference.

<sup>45</sup> March 29 Telephone Conference.

requirements of Section 6(b)(5),<sup>46</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market 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 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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<sup>46</sup> 15 U.S.C. 78f(b)(5).

The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.<sup>47</sup>

#### IV. 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 Exchange 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-NYSE-2006-16 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-NYSE-2006-16. 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

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<sup>47</sup> The NYSE has requested accelerated approval of this proposed rule change prior to the 30<sup>th</sup> day after the date of publication of the notice of the filing thereof, following the conclusion of a 15-day comment period. March 29 Telephone Conference.

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 the filing also will be available for inspection and copying at the principal office of the NYSE. 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-NYSE-2006-16 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>48</sup>

Nancy M. Morris  
Secretary

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<sup>48</sup> 17 CFR 200.30-3(a)(12).