



Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202
720-475-7650; Fax: 301-333-7010

**Conditional Approval #729
March 2006**

February 2, 2006

Frank Ryan
Chief Financial Officer
Barclays Global Investors, National Association
45 Fremont Street
P.O. Box 7101
San Francisco, California 94120-7101

Re: Reduction in Permanent Capital
Barclays Global Investors, National Association
OCC Control No.: 2006-WE-12-0038

Dear Mr. Ryan:

The Comptroller of the Currency today has granted conditional approval for Barclays Global Investors, National Association, to reduce its permanent capital by \$160 million by means of a reduction in the capital surplus account of the bank, as outlined in your letter dated January 27, 2006.

This approval is subject to the following conditions:

- 1) Capital Requirements:
 - a) Upon consummation of the proposed capital reduction and thereafter, the Bank shall maintain a minimum of \$250 million in Tier 1 capital.
 - b) If the Bank fails to maintain Tier 1 capital in the amount of \$225 million, the Bank shall be deemed to be “undercapitalized” for purposes of 12 U.S.C. 1831o and 12 C.F.R. Part 6 and the OCC shall have the authority to take any action authorized under all the provisions of 12 U.S.C. 1831o and 12 C.F.R. Part 6 applicable to an undercapitalized national bank. For purposes of section 1831o(e)(5), an action “necessary to carry out the purpose of this section” shall include restoration of the Bank’s capital so that it is not “undercapitalized,” and any other action deemed advisable by the OCC to address the Bank’s capital deficiency or the safety and soundness of its operations.

2. Significant Change in Business

- a) The Bank shall provide prompt written notification to the OCC Supervisory Office of any proposed significant change to its existing operations. The notification should be made as soon as possible, and not less than sixty (60) days prior to the change. When the change is not anticipated or known sixty (60) days in advance, notification shall be provided as soon as possible.
- b) A significant change for the purposes of this condition is defined as “a material variance from the Bank’s current operations.” Significant changes may include, but are not limited to: changes in the Bank’s strategy or philosophy; scope of activities; lines of business; funding sources; markets; delivery systems; outsourcing activities; senior management or director positions; employee stock ownership or compensation plans; or relationships with its subsidiaries or affiliates that could have a material impact on the bank.

The conditions of this approval are conditions “imposed in writing by the agency in connection with the granting of any application or other request” within the meaning of 12 USC 1818(b)(1). As such, the conditions are enforceable under 12 USC 1818.

On March 28, 2003, the OCC conditionally approved a separate request for the Bank to reduce its capital surplus. The conditions listed above replace the first two conditions of our March 2003 approval. Please note that the third condition of our March 2003 approval relating to OCC’s access to information on the Bank’s subsidiaries and affiliates remains in full force and effect.

Pursuant to 12 USC 59, a reduction in capital stock requires approval by shareholders owning at least two-thirds of the bank’s capital stock and, if necessary, amendments to the Articles of Association. Also, following the completion of the transaction, the bank must advise the OCC of the effective date of the decrease.

This conditional approval is granted based on a through review of all information available, including the representations and commitments made in the application and by the bank’s representatives.

The change in capital should be completed within one year of the date of this letter.

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its

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supervisory, regulatory, and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

Please direct any questions concerning this approval to Senior Licensing Analyst Jim Bundy at (720) 475-7650.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

Sincerely,

signed

Ellen Tanner Shepherd
Director for District Licensing

Enclosure