Deutsche Bank

DB Commodity Services LLC
60 Wall Street
5th Floor
New York, NY 10005

March 17, 2006

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F. Street NE
Washington, D.C. 20549

NYSE 2005-17

Re: Proposed Rule Change by New York Stock Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934
To List and Trade Shares of the iShares GSCI Commodity Indexed Trust

Dear Ms. Morris:

We have reviewed a copy of a proposed rule change by the New York Stock Exchange ("NYSE") pursuant to Rule 19b-4 under the Securities Exchange Act of 1934, dated March 7, 2006, to list and trade shares of the iShares GSCI Commodity Indexed Trust under new Rules 1300B et. seq. (the "Proposal"). Although intrigued by the unique structure of the Fund, we have a number of questions and concerns we hope the staff of the Division of Market Regulation (the "Staff") will consider and address in any notice and/or approval order issued by the Commission. Our questions and concerns are set forth below. Capitalized terms used and not defined in this letter have the meaning given in the Proposal.

Lack of Trading History Of and Market For CERFs.

The principal source of profit and loss for the Trust is expected to be long futures positions in CERFs, a futures contract with certain unusual characteristics discussed below, which commenced trading on the Chicago Mercantile Exchange (the "CME") on March 13, 2006. In the short time since trading commenced, trading volume has been low.[1] This short trading history and lack of a deep and liquid market for CERFs raises a number of questions and concerns.

To the best of our knowledge, all prior exchange-traded funds have invested primarily in seasoned securities, commodities or futures contracts with a market whose depth and liquidity was demonstrable in advance. We are not aware of any exchange-traded fund, whether or not registered as an investment company under the Investment Company Act of 1940

[1] Zero volume has been reported to date.

(collectively, "ETFs"), which has as its principal investment a single instrument with such a limited trading history and a market of such shallow depth and, at best, unproven liquidity.

The market for CERFs seems likely to remain thin and illiquid because, as noted below, the CERFs possess certain unusual characteristics that appear likely to depress market demand for CERFs. Furthermore, there already exist futures contracts referencing the Index with more usual terms (regarding contract duration and margining requirements) which will compete with the CERFs for investor demand. This raises serious concerns as to the appropriateness of CERFs as the sole investment of an ETF. Would a structured note linked to the Index and listed on a stock exchange but thinly traded be suitable as the sole investment for an ETF whose objective is to track the Index over time? What distinguishes a CERF from a structured note linked to the Index for purposes of suitability as the sole investment for an ETF? Indeed, in the portfolio of the Investing Pool (or another CERF market participant subject to the 100% margin requirement), what distinguishes a CERF from a structured note linked to the Index other than the exchange on which it is traded and the source of credit risk?

Also, the CERFs appear to have been developed not for any *bona fide* economic purpose, but instead specifically for the Trust. This is evidenced by the lack of trading volume in the CERFs since trading commenced. The Trust will take long CERF positions only. Long CERF positions can be established only if demand exists for short CERF positions. No reciprocal of the Trust of which we are aware has been formed with an opposite investment objective to take short CERF positions. Consequently, it is unclear as to the expected source of demand for short CERF positions. If short CERF positions are expected to be held by a small number of market participants, the potential for market manipulation to the detriment of the public, the Trust and its shareholders appears to be of significant concern. If short CERF positions are to be taken by affiliates of the Trust or the Index Sponsor, significant conflicts of interest compound concerns regarding potential market manipulation, especially in a thin market for CERFs. We question whether any economic, market integrity and public interest analysis of CERFs has been conducted.

In light of the foregoing, does the Staff intend to require that the NYSE demonstrate depth and liquidity in the market for CERFs comparable to that for the principal investment assets of all existing ETFs prior to approving the Trust for listing by observing the trading volume of CERFs over some minimum time period? If so, what time period would be sufficient to assure a *bona fide* market? We note in this context that, as a general matter, to be eligible for inclusion in the Index a futures contract must have been available on a continuous basis for at least two years prior to the proposed date of inclusion in the Index, that volume data with respect to the contract must be available for at least three months prior to inclusion, and that the contract must satisfy other eligibility criteria that the CERFs could not satisfy at this time. (*See* Proposal at pages 12-15.) To protect against market manipulation and ameliorate conflicts of interest, will affiliates of the Trust and the Index Sponsor be required to abstain from investing in CERFs for their own account or to disclose periodically their positions and trading histories in CERFs?

Probability of Substantial Tracking Error.

There is a significant probability that neither the net asset value or "NAV" of the Trust nor the market value of the Trust's Shares will correspond generally to the performance of the Index over time, which is the stated objective of the Trust. (*See* Proposal at pages 4 and 31.)

It is reasonable to expect that the daily settlement price of CERFs will approach their final settlement value as they approach maturity. However, the more distant the maturity of a CERF the more speculative it becomes due to the possibility of significant movements in the Index before maturity. Consequently, the more distant the maturity of a CERF, the less likely the daily settlement price of the CERF to approximate accurately the value of the futures contracts represented in the Index on such day. As a result, from time to time, the daily settlement price of a CERF should be expected to vary significantly, particularly during the early months and years of its term, from the aggregate value of the futures contracts comprising the Index, which are of much shorter duration and trade in markets of demonstrated depth and liquidity. Due to the five-year expiration period of the CERFs, these variations should be expected to be persistent as well as significant. Indeed, any substantial tracking between the value of the Index and the market price of a CERF in the early months and years of its term, would appear to be inconsistent with rational market behavior. Accordingly, because the daily settlement price of the CERFs should be expected to depart significantly and persistently from the aggregate market prices of the futures contracts comprising the Index, the NAV of the Trust cannot reasonably be expected to track the value of the Index over time, especially during the early months and years of the Trust's operations when substantially all of the Trust's investments will be in long CERF positions that will not mature for several years. In light of the foregoing, can the Trust reasonably expect to achieve its stated investment objective? Will the Staff require that the NYSE observe the trading patterns of CERFs over some minimum period of time in order to observe whether trading patterns of CERFs do, in fact, correlate with movements in the Index prior to approving the Trust for listing? If market prices for CERFs do, in fact, correlate with the Index (despite the irrationality of such a correlation) but trading volume is low or there are few market participants, what would this imply?

We respectfully submit that the trading patterns of exchange-listed structured notes linked to securities or commodities indices may be the best available indicator of the likely trading patters of the CERFs due to the structural similarities between such instruments and CERFs. The trading market for such instruments demonstrates limited volumes with the majority of asset accumulation occurring at the time of initial offering.

As with all ETFs, the principal mechanism expected to cause the market value of the Trust's Shares to correspond to their NAV and to track the applicable index over time is the obligation of the Trust to create and redeem Shares in Baskets at NAV per Basket on each business day. ETFs look to Authorized Participants and others to take advantage of arbitrage opportunities that arise when the market value of an ETF's shares departs from NAV per share. Exploitation of these arbitrage opportunities tends to bring the market price per share and NAV per share into alignment over time. The existence of such exploitable arbitrage opportunities depends upon the liquidity of the assets that must be acquired by the Authorized Participant in order to create a basket or that must be disposed of by the Authorized Participant upon the redemption of a basket and the correlation between the value of such assets and the value of the relevant index. In effect, baskets of shares of traditional ETFs are convertible on short notice into the liquid assets comprising the relevant index and *vice versa*. It is this combination of convertibility and liquidity that creates the exploitable arbitrage opportunities that cause the market price of the shares of an ETF to track NAV and index value over time.

Creations and redemptions of Baskets by the Trust are expected generally to be effected through exchange-for-physicals or "EFPs."[2] This means, in effect, that an Authorized Participant seeking to create a basket must acquire long CERF positions and contribute them to the Trust in exchange for Baskets. Similarly, an Authorized Participant seeking to redeem Baskets will receive a distribution of long CERF positions in connection with therewith. But CERFs are likely to be illiquid, do not comprise any part of the Index, are not convertible into the futures contracts comprising the Index and, as discussed above, cannot reasonably be expected to have a market value that correlates with the value of the futures contracts comprising the Index. Authorized Participants seeking to acquire long CERF positions in order to create a Basket must establish such long CERF positions on the market at prices that will depend upon the demand for short CERF positions, not the value of the Index or its component futures contracts. Similarly, an Authorized Participant seeking to liquidate long CERF positions received in connection with a redemption must offset the long CERF position by establishing an offsetting short CERF position at a price that will depend upon the demand for long CERF positions, not the value of the Index or its component futures contracts. In an illiquid market for CERFs, such activities will be executed at inefficient prices that are potentially subject to manipulation to the detriment of the Authorized Participant or other person creating or redeeming a Basket, providing a significant disincentive to engage in creations or redemptions and thereby contributing to tracking error. Indeed, the Proposal acknowledges that the ability of a buyer or seller of CERFs to liquidate its position in CERFs is subject to the existence of a liquid market. (*See* Proposal at page 9.) As discussed above, the existence of a liquid market for CERFs cannot be reasonably assured. In light of the foregoing, can the usual mechanism for causing the market value of the Trust's Shares to track NAV per Share and the value of the Index reasonably be expected to function efficiently and to result in market prices for the Trust's Shares that correlate tightly to the Index over time?

<u>*Uncertainty of Valuation*</u>.

The Proposal states that "The Manager will value the Investing Pool's long positions in CERFs on the basis of that day's announced CME settlement price." The Proposal states also that in valuing the Investing Pool's long positions in CERFs, the Manager may depart from the most recent settlement price of the CERFs if "the Manager determines that that price is inappropriate as a basis for evaluation." (*See* Proposal at Page 54.) There is no indication in the Proposal as to the criteria by which the Manager would determine that the most recent settlement price for the CERFs is inappropriate or as to the alternative value the Manager would use under such circumstances or how the Manager would determine the "fair value" of a CERF under such

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[2] *See* Proposal at pages 9 and 10. An EFP is a transaction in which one party buys the cash market and sells the futures market while the opposite party sells the cash market and buys the futures market. The terms of such transactions are privately negotiated. An EFP may be executed on or off the trading floor of a futures exchange while the cash side of the trade may be executed in the over-the-counter market or on a national securities exchange.

circumstances. Because, as noted above, trading in CERFs may be thin, any value ascribed to the CERFs (whether the most recent daily settlement price on the CME or some other value determined by the Manager) is speculative and uncertain and an unreliable indicator of the price at which a long CERF position could be acquired by an Authorized Participant seeking to create a Basket or at which a long CERF position could be offset and liquidated by an Authorized Participant seeking to redeem a Basket. In light of the foregoing, how much reliance reasonably should be placed on the accuracy of the Trust's published daily NAV per Share and its indicative intra-day NAV per Share?

The Proposal devotes considerable text to a discussion and explanation of the Index and its composition, emphasizing the liquidity of the futures contracts that comprise the Index from time to time and the resulting transparency of the Index value calculations. These facts serve to emphasize that the Trust, through the Investing Pool, will at no time have any direct or indirect interest in any of the futures contracts comprising the Index. The liquidity and depth of the markets for futures contracts on the commodities comprising the Index offer no benefit to an investor in the Trust's Shares because the Trust will not invest in such futures contracts. The transparency of the Index value contrasts with the opaqueness of the Trust's NAV. The intra-day and daily settlement prices of the futures contracts on the commodities comprising the Index are irrelevant to a determination of the Trust's NAV. The only instrument relevant to the NAV of the Trust will be the CERFs. The value of the CERFs will be inherently uncertain in the absence of a deep and liquid market. Will the published daily and intra-day NAV per Share of the Trust not be equally uncertain?

The Proposal states that "The Indicative Value will be calculated based on the cash and collateral in a Basket Amount divided by 50,000, adjusted to reflect the market value of the Index commodities through investments held by the Investing Pool, i.e. CERFs." (*See* Proposal at page 23.) The Proposal also states that "When the market for futures trading for each of the Index commodities is open, the Indicative Value can be expected to closely approximate the value per Share of the Basket Amount." (*See* Proposal at page 24.) While we understand the relevance of the market value of the Index commodities to the final settlement value of the CERFs at maturity, we do not understand the relevance of the market value of the Index commodities, or of whether the markets for the Index commodities are open or closed, to the Indicative Value of the Trust. The Investing Pool will not invest in the Index commodities. The Investing Pool will invest only in CERFs. The only futures contract relevant for determining the Indicative Value of the Trust is the CERF and the only relevant market for determining the Indicative Value of the Trust is the market for CERFs.

Terms of the CERFs.

The Proposal states that the CERFs have a number of characteristics that are unusual for exchange-listed futures contracts, including five year expirations only and a requirement that certain categories of investors will be required to deposit initial margin equal to 100% of the notional value of the CERF position at the time it is established. (*See* Proposal at pages 5-9.) What is the expected effect of the unusual terms of the CERFs upon the development of a deep and liquid market for CERFs and what are the expected sources of demand for the CERFs?

We note that futures contracts referencing the Index with more usual terms (regarding contract duration and margining requirements) already are listed and trading on the CME and have been since 1992.[3] Rather than by taking long positions in CERFs, could not the Trust's investment objective be achieved with equal or greater efficacy by taking long positions in these existing futures contracts that have proven, deep and liquid markets by comparison to CERFs? Indeed, could not the Trust achieve its investment objective with equal or greater efficacy by taking long positions in the futures contracts comprising the Index?

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We look forward to learning the views of the Staff in respect of the foregoing. Should you have any questions or desire any clarification of any of the foregoing, please do not hesitate to contact me at (212) 250-5883.

Very truly yours,

Kevin Rich fgse

Kevin Rich
Director and Chief Executive Officer

cc: Robert Colby, Acting Director, Division of Market Regulation
Elizabeth King, Associate Director, Division of Market Regulation
Florence Harmon, Senior Special Counsel, Division of Market Regulation

[3] For information regarding CME-listed futures and options on futures referencing the GSCI, go to http://www.cme.com/trading/prd/overview_GI724.html.