

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51433; File No. SR-BSE-2004-54)

March 24, 2005

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1, 2, and 3 Thereto by the Boston Stock Exchange, Inc. to Trade the streetTRACKS® Gold Shares Pursuant to Unlisted Trading Privileges

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 29, 2004, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The proposal would permit the Exchange to trade the streetTRACKS® Gold Shares ("GLD" or "Shares") pursuant to unlisted trading privileges ("UTP"). The Shares represent units of fractional undivided beneficial interests in and ownership of the streetTRACKS® Gold Trust ("Trust"). The Commission previously has approved GLD for original listing and trading on the New York Stock Exchange ("NYSE").³

On December 17, 2004, BSE filed Amendment No. 1,⁴ on January 28, 2005, BSE

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 50603 (October 28, 2004), 69 FR 64614 (November 5, 2004) ("NYSE Approval Order").

⁴ In Amendment No. 1, BSE revised its proposal by specifically indicating additions to existing rule text.

filed Amendment No. 2,⁵ and on March 11, 2005, BSE filed Amendment No. 3⁶ to the proposal.

The Commission is publishing this notice and order to solicit comments on the proposed rule change, as amended, from interested persons and to approve the proposal on an accelerated basis.

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

BSE proposes to trade GLD pursuant to UTP. The text of the proposed rule change is available on the Exchange's Web site (<http://www.bostonstock.com>), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

⁵ In Amendment No. 2, BSE replaced the amended filing in its entirety to, among other things: (1) make certain corrections to reflect that the Shares were listed and have been trading on NYSE; (2) clarify that last sale prices for the Shares are disseminated on a real-time basis; (3) state that BSE would provide a link to the Trust's website; (4) add a description of the initial Shares issuance and continued trading of the Shares; (5) clarify that the Shares would trade on the Exchange until 4:15 p.m. Eastern Time; and (6) that its surveillance procedures would be adequate to detect and deter manipulation.

⁶ In Amendment No. 3, BSE amended the proposed rule text to specify that an approved person of an equity specialist that has established and obtained Exchange approval of procedures restricting the flow of material, non-public market information between itself and the specialist member organization pursuant to BSE Chapter II, Section 36 and any member, officer, or employee associated therewith, may act in a market-making capacity, other than as a specialist in the Shares on another market center, in gold or gold derivatives.

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

1. Purpose

The Exchange proposes to trade the streetTRACKS Gold Shares (ticker symbol: GLD) pursuant to UTP. The value of each Share will correspond to a fixed amount of gold⁷ and fluctuate with the spot price of gold. Purchasing Shares in the Trust provides investors a mechanism to participate in the gold market.

a. Description of the Gold Market

The global trade in gold consists of over-the-counter ("OTC") transactions in spot, forwards, and options and other derivatives, together with exchange-traded futures and options. The global gold market consists of the following components, described briefly below.

(1) The OTC Market

The OTC market trades on a continuous basis 24 hours per day and accounts for most global gold trading. Liquidity in the OTC market can vary from time to time during the course of the 24-hour trading day. Fluctuations in liquidity are reflected in adjustments to dealing spreads – the differential between a dealer's "buy" and "sell" prices. According to the Trust's Registration Statement, the period of greatest liquidity in the gold market is typically when trading in the European time zones overlaps with trading in the United States, which is when OTC market trading in London, New York, and other centers coincides with futures and options trading on the Commodity Exchange Inc. ("COMEX"), a division of the New York Mercantile

⁷ Initially, each Share will correspond to one-tenth of a troy ounce of gold. The amount of gold associated with each Share is expected to decrease over time as the Trust incurs and pays maintenance fees and other expenses.

Exchange, Inc. ("NYMEX"). This period lasts for approximately four hours each New York business day morning.

The OTC market has no formal structure and no open-outcry meeting place. The main centers of the OTC market are London, New York, and Zurich. Bullion dealers have offices around the world, and most of the world's major bullion dealers are either members or associate members of the London Bullion Market Association ("LBMA"), a trade association of participants in the London bullion market.

There are no authoritative published figures for overall worldwide volume in gold trading. There are certain published sources that suggest the significant size of the overall market. The LBMA publishes statistics compiled from the five members offering clearing services.⁸ The monthly average daily volume figures published by the LBMA for 2003 range from a high of 19 million to a low of 13.6 million troy ounces per day.⁹ COMEX publishes price and volume statistics for transactions in contracts for the future delivery of gold. COMEX figures for 2003 indicate that the average daily volume for gold futures contracts was 4.9 million troy ounces per day.¹⁰

⁸ Information regarding clearing volume estimates by the LBMA can be found at http://www.lbma.org.uk/clearing_table.htm. The three measures published by the LBMA are: volume, the amount of metal transferred on average each day measured in million of troy ounces; value, measured in U.S. dollars, using the monthly average London p.m. fixing price; and the number of transfers, which is the average number recorded each day. The statistics exclude allocated and unallocated balance transfers where the sole purpose is for overnight credit and physical movements arranged by clearing members in locations other than London.

⁹ See NYSE Approval Order, 69 FR at 64614.

¹⁰ Information regarding average daily volume estimates by COMEX can be found at http://www.nymex.com/jsp/markets/md_annual_volume6.jsp#2. The statistics are based on gold futures contracts, each of which relates to 100 troy ounces of gold.

(2) Futures Exchanges

The most significant gold futures exchanges are COMEX and the Tokyo Commodity Exchange ("TOCOM").¹¹ Trading on these exchanges is based on fixed delivery dates and transaction sizes for the futures and options contracts traded. Trading costs are negotiable. As a matter of practice, only a small percentage of the futures market turnover ever comes to physical delivery of the gold represented by the contracts traded. Both exchanges permit trading on margin. COMEX operates through a central clearance system. TOCOM has a similar clearance system. In each case, the exchange acts as a counterparty for each member for clearing purposes.

(3) Gold Market Regulation

There is no direct regulation of the global OTC market in gold. However, indirect regulation of some of the overseas participants does occur in some capacity. In the United Kingdom, responsibility for the regulation of the financial market participants, including the major participating members of the LBMA, falls under the authority of the Financial Services Authority ("FSA"), as provided by the Financial Services and Markets Act 2000 ("FSM Act"). Under the FSM Act, all U.K.-based banks, together with other investment firms, are subject to a range of requirements, including fitness and properness, capital adequacy, liquidity, and systems and controls. The FSA is responsible for regulating investment products, including derivatives, and those who deal in investment products. Regulation of spot, commercial forwards, and deposits of gold and silver not covered by the FSM Act is provided for by The London Code of Conduct for Non-Investment Products, which was established by market participants in

¹¹ There are other gold exchange markets, such as the Istanbul Gold Exchange, the Shanghai Gold Exchange, and the Hong Kong Chinese Gold & Silver Exchange Society.

conjunction with the Bank of England, and is a voluntary code of conduct among market participants.

Participants in the U.S. OTC market for gold are generally regulated by their institutional supervisors, which regulate their activities in other markets in which they operate. For example, participating banks are regulated by the banking authorities. In the United States, the Commodity Futures Trading Commission regulates futures market participants and has established rules designed to prevent market manipulation, abusive trade practices, and fraud.

TOCOM has authority to perform financial and operational surveillance on its members' trading activities, scrutinize positions held by members and large-scale customers, and monitor the price movements of futures markets by comparing them with cash and other derivative markets' prices.

b. Trust Management and Structure

The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust. The purpose of the Trust is to hold gold bullion. The investment objective of the Trust is for the Shares to reflect the performance of the price of gold, less the Trust's expenses.

The Trust is an investment trust and is not managed like a corporation or an active investment vehicle. The Trust has no board of directors or officers or persons acting in a similar capacity. The Trust is not a registered investment company under the Investment Company Act of 1940 ("1940 Act") and is not required to register under the 1940 Act.

World Gold Trust Services, LLC, a wholly owned limited liability company of the World Gold Council,¹² is the sponsor of the Trust ("Sponsor"). The Bank of New York is the trustee of the Trust ("Trustee"). HSBC Bank USA, an indirect wholly owned subsidiary of HSBC

¹² The World Gold Council is a not-for-profit association registered under Swiss law.

Holdings plc, is the custodian of the Trust ("Custodian"). State Street Global Markets LLC, a wholly owned subsidiary of State Street Corporation, is the Marketing Agent of the Trust ("Marketing Agent"). The Marketing Agent and Custodian are registered broker-dealers. The Custodian and Marketing Agent and their affiliates, and affiliates of the Trustee, may act as Authorized Participants or purchase or sell gold or the Shares for their own account as agent for customers and for accounts over which they exercise investment discretion. To the extent deemed appropriate by these entities, information barriers will exist between the Custodian, Marketing Agent, Trustee, and their affiliates transacting in the gold cash market or the Shares; however, the Exchange will not require such information barriers. UBS Securities LLC was the initial purchaser of the Shares ("Initial Purchaser"), as described below. The Sponsor, Trustee, Custodian, and Initial Purchaser are not affiliated with one another or with the Exchange.

c. Trust Expenses and Management Fees

Generally, the assets of the Trust (e.g., gold bullion) will be sold to pay Trust expenses and management fees. These expenses and fees will reduce the value of an investor's Share as gold bullion is sold to pay such costs. Ordinary operating expenses of the Trust include: (1) fees paid to the Sponsor; (2) fees paid to the Trustee; (3) fees paid to the Custodian; (4) fees paid to the Marketing Agent; and (5) various Trust administration fees, including printing and mailing costs, legal and audit fees, registration fees, and NYSE listing fees. The Trust's estimated ordinary operating expenses are accrued daily and reflected in the net asset value ("NAV") of the Trust.

d. Description and Characteristics of the Shares

(1) Liquidity

The Shares may trade at a discount or premium relative to the NAV per Share because of non-concurrent trading hours between the major gold markets and the Exchange. While the

Shares will trade on the Exchange until 4:15 p.m. Eastern Time, liquidity in the OTC market for gold will be reduced after the close of COMEX at 1:30 p.m. Eastern Time. During this time, trading spreads and the resulting premium or discount on the Shares may widen as a result of reduced liquidity in the OTC gold market.

Because of the potential for arbitrage inherent in the structure of the Trust, the Sponsor believes that the Shares will not trade at a material discount or premium to the underlying gold held by the Trust. The arbitrage process, which in general provides investors the opportunity to profit from differences in prices of assets, increases the efficiency of the markets, serves to prevent potentially manipulative efforts, and can be expected to operate efficiently in the case of the Shares and gold.

(2) Creation and Redemption of Trust Shares

The Trust will create Shares on a continuous basis only in aggregations of 100,000 Shares (such aggregation referred to as a "Basket"). Authorized Participants are the only persons that may place orders to create and redeem Baskets. Authorized Participants purchasing Baskets will be able to separate a Basket into individual Shares for resale.

Authorized Participants purchasing a Basket must make an in-kind deposit of gold ("Gold Deposit"), together with, if applicable, a specified cash payment ("Cash Deposit"¹³ and together

¹³ The amount of any required Cash Deposit will be determined as follows: (1) the fees, expenses, and liabilities of the Trust will be subtracted from any cash held or receivable by the Trust as of the date an Authorized Participant places an order to purchase one or more Baskets ("Purchase Order"); and (2) the remaining amount will be divided by the number of Baskets outstanding and then multiplied by the number of Baskets being created pursuant to the Purchase Order. If the resulting amount is positive, that amount will be the required Cash Deposit. If the resulting amount is negative, the amount of the required Gold Deposit will be reduced by a number of fine ounces of gold equal in value to that resulting amount, determined by reference to the price of gold used in calculating

with the Gold Deposit, the "Creation Basket Deposit"). The Sponsor anticipates that in the ordinary course of the Trust's operations a cash deposit will not be required for the creation of Baskets. Similarly, the Trust will redeem Shares only in Baskets, principally in exchange for gold and, if applicable, a cash payment ("Cash Redemption Amount"¹⁴ and together with the gold, the "Redemption Distribution").

The Exchange expects that certain Authorized Participants will be able to participate directly in the gold bullion market and the gold futures market. The Sponsor believes that the size and operation of the gold bullion market make it unlikely that an Authorized Participant's direct activities in the gold or securities markets would impact the price of gold or the price of the Shares. Each Authorized Participant is: (1) regulated as a broker-dealer regulated under the Act and registered with NASD; or (2) is exempt from being, or otherwise is not required to be, regulated as a broker-dealer under the Act or registered with NASD, and in either case is qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Participants will be regulated under federal and state

the NAV of the Trust on the Purchase Order date. Fractions of an ounce of gold of less than 0.001 of an ounce included in the Gold Deposit amount will be disregarded.

¹⁴ The Cash Redemption Amount is equal to the excess (if any) of all assets of the Trust other than gold, less all estimated accrued but unpaid fees, expenses, and other liabilities, divided by the number of Baskets outstanding and multiplied by the number of Baskets included in the Authorized Participant's order to redeem one or more Baskets ("Redemption Order"). The Trustee will distribute any positive Cash Redemption Amount through the Depository Trust Company ("DTC") to the account of the Authorized Participant at DTC. If the Cash Redemption Amount is negative, the credit to the Authorized Participant's unallocated account ("Authorized Participant Unallocated Account") will be reduced by the number of fine ounces of gold equal in value to that resulting amount, determined by reference to the price of gold used in calculating the NAV of the Trust on the Redemption Order date. Fractions of a fine ounce of gold included in the Redemption Distribution of less than 0.001 of an ounce will be disregarded. Redemption Distributions will be subject to the deduction of any applicable tax or other governmental charges due.

banking laws and regulations. Each Authorized Participant will have its own set of rules and procedures, internal controls, and information barriers as it determines is appropriate in light of its own regulatory regime. Authorized Participants may act for their own accounts or as agents for broker-dealers, custodians, and other securities market participants that wish to create or redeem Baskets. An order for one or more Baskets may be placed by an Authorized Participant on behalf of multiple clients.

The total amount of gold and any cash required for the creation or redemption of each Basket will be in the same proportion to the total assets of the Trust (net of accrued and unpaid fees, expenses, and other liabilities) on the date the Purchase Order is properly received as the number of Shares to be created in respect of the Creation Basket Deposit bears to the total number of Shares outstanding on the date the Purchase Order is received. Except when aggregated in Baskets, the Shares are not redeemable. The Trust will impose transaction fees in connection with creation and redemption transactions.

The Trustee will determine the NAV¹⁵ and daily adjusted NAV ("ANAV") of the Trust on each business day at the earlier of the London p.m. fix for such day or 12:00 p.m. Eastern Time.¹⁶ In determining the Trust's NAV and ANAV, the Trustee will value the gold held by the Trust based on the London p.m. fix price for a troy ounce of gold. Once the value of the gold has been determined, the Trustee will determine the ANAV of the Trust by subtracting all accrued fees (other than the fees to be computed by reference to the ANAV or custody fees based on the value of the gold held by the Trust), expenses, and other liabilities of the Trust from the total

¹⁵ The NAV of the Trust is the aggregate value of the Trust's assets less its liabilities (which include accrued expenses).

¹⁶ The London fix is the most widely used benchmark for daily gold prices and is quoted by various financial information sources.

value of the gold and all other assets of the Trust (other than any amounts credited to the Trust's reserve account, if established). Then the ANAV of the Trust is used to compute the Trustee's, the Sponsor's, and Marketing Agent's fees.¹⁷ To determine the Trust's NAV, the Trustee will subtract from the ANAV the amount of estimated accrued but unpaid fees that are based on the ANAV (e.g., the Trustee's, the Sponsor's, and Marketing Agent's fees) and the amount of custody fees, which are based on the value of the gold held by the Trust. The Trustee will also determine the NAV per Share by dividing the NAV of the Trust by the number of the Shares outstanding as of the close of trading on NYSE.

The Exchange understands that, upon initiation of trading on NYSE, UBS Securities LLC, the Initial Purchaser, purchased 100,000 Shares, which comprised the seed Basket. The Initial Purchaser also purchased 900,000 Shares, which comprise the initial Baskets. The Trust received all proceeds from the offering of the seed Basket and the initial Baskets in gold bullion. In connection with the offering and sale of the initial Baskets, the Sponsor paid a fee to the Initial Purchaser at the time of its purchase of the initial Baskets. In addition, the Initial Purchaser received commissions/fees from investors who purchased Shares from the initial Baskets through their commission/fee-based brokerage accounts.

(3) Information About Underlying Gold Holdings

The last-sale price for the Shares will be disseminated, on a real-time basis, over the Consolidated Tape by each market trading the Shares. There is a considerable amount of gold price and gold market information available on public Web sites and through professional and

¹⁷ The Custodian's fee is not calculated based on ANAV, but rather the value of the gold held by the Trust.

subscription services. In most instances, real-time information is available only for a fee, and information available free of charge is subject to delay (typically, 20 minutes).

Investors may obtain on a 24-hour basis gold pricing information based on the spot price for a troy ounce of gold from various financial information service providers, such as Reuters and Bloomberg. Reuters and Bloomberg provide at no charge on their Web sites delayed information regarding the spot price of gold and last sale prices of gold futures, as well as information about news and developments in the gold market. Reuters and Bloomberg also offer a professional service to subscribers for a fee that provides information on gold prices directly from market participants. An organization named EBS provides an electronic trading platform to institutions such as bullion banks and dealers for the trading of spot gold, as well as a feed of live streaming prices to Reuters and Moneyline Telerate subscribers. Complete real-time data for gold futures and options prices traded on COMEX are available by subscription from Reuters and Bloomberg. NYMEX also provides delayed futures and options information on current and past trading sessions and market news free of charge on its Web site. The Exchange notes that there are a variety of other public Web sites providing information on gold, ranging from those specializing in precious metals to sites maintained by major newspapers, such as The Washington Post. Many of these sites offer price quotations drawn from other published sources, and as the information is supplied free of charge, it generally is subject to time delays.¹⁸ Current gold spot prices are also available with bid/ask spreads from gold bullion dealers.

¹⁸ There may be incremental differences in the gold spot price among the various information service sources. While the Exchange believes the differences in the gold spot price may be relevant to those entities engaging in arbitrage or in the active daily trading of gold or gold-based products, the Exchange believes such differences are likely of less concern to individual investors intending to hold the Shares as part of a long-term investment strategy.

In addition, the Exchange, via a link to the Trust's Web site (<http://www.streettracksgoldshares.com>), will provide at no charge continuously updated bids and offers indicative of the spot price of gold on its own public Web site, <http://www.bostonstock.com>.¹⁹ The Trust Web site provides a calculation of the estimated NAV (also known as the Intraday Indicative Value or "IIV") of a Share, as calculated by multiplying the indicative spot price of gold by the quantity of gold backing each Share. Comparing the IIV with the last sale price of the Shares helps an investor to determine whether, and to what extent, Shares may be selling at a premium or a discount to the NAV. Although provided free of charge, the indicative spot price and IIV per Share will be provided on an essentially real-time basis.²⁰ The Trust Web site provides the NAV of the Trust as calculated each business day by the Sponsor. In addition, the Trust Web site contains the following information, on a per-Share basis, for the Trust: (1) the IIV as of the close of the prior business day and the midpoint of the bid/ask price²¹ in relation to such IIV ("Bid/Ask Price"), and a calculation of the premium or discount of such price against such IIV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the Bid/Ask Price against the IIV, within appropriate ranges, for each of the four previous calendar quarters. The Trust Web site also provides the Trust's prospectus, as well as the two most recent reports to stockholders. Finally, the Trust Web

¹⁹ The Trust Web site's gold spot price will be provided by The Bullion Desk (<http://www.thebulliondesk.com>). The Trust Web site will indicate that there are other sources for obtaining the gold spot price. In the event that the Trust Web site should cease to provide this indicative spot price from an unaffiliated source (and the intraday indicative value) of the Shares, the Exchange will cease to trade the Shares.

²⁰ The Trust's Web site, to which the Exchange's Web sites will link, will disseminate an indicative spot price of gold and the IIV and indicate that these values are subject to an average delay of 5 to 10 seconds.

²¹ The bid/ask price is determined using the highest bid and lowest offer on the Consolidated Tape as of the time of calculation of the closing day IIV.

site provides the last sale price of the Shares as traded in the U.S. market, subject to a 20-minute delay.²²

e. Initial Share Issuance and Continued Trading

The Exchange understands that a minimum of three Baskets were outstanding at the commencement of trading on NYSE. The number of Shares per Basket is 100,000.

The Exchange's applicable continued trading criteria require it to delist the Shares if any of the following occur: (1) the value of gold is no longer calculated or available on at least a 15-second delayed basis from a source unaffiliated with the Sponsor, the Trust, the Custodian, Marketing Agent, or the Exchange, or the Exchange stops providing the hyperlink on its Web site to any such unaffiliated gold value; (2) the IIV is no longer made available on at least a 15-second delayed basis; or (3) such other event shall occur or condition exist that, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable. In addition, the Exchange will remove the Shares from trading upon termination of the Trust or delisting from the NYSE without immediate re-listing on another exchange.

f. Exchange Trading Rules and Policies

Proposed BSE Chapter XXIV-C, Section 1 deals with the trading of the Shares. Paragraph (c) of that Section states that the Shares are included in the definition of "securities" under the Exchange's Constitution and Rules and are subject to all applicable Exchange trading rules. In addition, proposed BSE Chapter XXIV-C, Section 1 sets forth that an equity specialist, his member organization, other member, allied member, or approved person in such member organization or officer or employee thereof, is prohibited from acting as a market maker or

²² The last sale price of the Shares in the secondary market is available on a real-time basis for a fee from regular data vendors.

functioning in any capacity involving market-making responsibilities in the physical gold, gold futures or options on gold futures, or any other gold derivatives. However, an approved person of an equity specialist that has established and obtained Exchange approval of procedures restricting the flow of material, non-public market information between itself and the specialist member organization pursuant to BSE Chapter II, Section 36 and any member, officer, or employee associated therewith, may act in a market-making capacity, other than as a specialist in the Shares on another market center, in physical gold, gold futures or options on gold futures, or any other gold derivatives.

Proposed BSE Chapter IIIV-C, Section 2 requires trading and information barriers for member organizations acting as specialist in the Shares. Specifically, a member organization acting as specialist in the Shares is obligated to conduct all trading in the Shares 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. Such member organization acting as specialist must also report to the Exchange and keep current a list identifying all accounts for trading physical gold, gold futures or options on gold futures, or any other gold derivatives, which the specialist may have or over which it may exercise investment discretion. Under the rule, any trading by the member organization that is the specialist in GLD of physical gold or gold derivatives in an account over which the member organization controls, directly or indirectly, trading activities or has a direct interest in the profits or losses is prohibited, except to the extent such accounts and trading activities are reported to the Exchange as required under the rule. Furthermore, a member organization that is the specialist in the Shares will be required to make its books, records, and other relevant information pertaining to its transactions and those of any member, allied member, approved person, registered or non-registered employee affiliated with the member for its or their

own accounts in physical gold and gold derivatives available to the Exchange upon request. In addition, the registered specialist in GLD will be prohibited from using any material nonpublic information from any person associated with a member or employee of such person regarding trading of physical gold or any gold derivative products.

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. Trading on the Exchange in the Shares may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in gold, or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, trading in the Shares is subject to trading halts caused by extraordinary market volatility pursuant to the Exchange's "circuit breaker" rule.²³

Trading in the Shares on the Exchange will be effected normally until 4:15 p.m. Eastern Time each business day. The minimum trading increment for the Shares on the Exchange will be \$0.01, in accordance with BSE Chapter II, Section 41. Additionally, the Shares will be subject to the Exchange's rules pertaining to odd-lot trading, as set forth in BSE Chapter XII, as well as the Exchange's rules governing trading over the Intermarket Trading System ("ITS") set forth in Chapter XXXI, including those provisions in Section 4 governing trade-throughs and locked markets.

g. Surveillance

BSE represents that the surveillance procedures it will utilize to surveil trading activity in the Shares are sufficient to detect and deter manipulation of the market. The Exchange's existing

²³ Chapter II, Section 34A of the BSE Rules.

surveillance procedures for exchange-traded funds ("ETFs") will be utilized for the Shares. In addition, for intermarket surveillance purposes, the Exchange has entered into a reciprocal Memorandum of Understanding ("MOU") with NYMEX for the sharing of information related to any financial instrument based, in whole or in part, upon an interest in or performance of gold.

The Exchange is also proposing the adoption of BSE Chapter XXIV-C, Section 2 to ensure that specialists handling the Shares provide the Exchange with all necessary information relating to their trading in physical gold and in gold futures contracts and options thereon or any other gold derivative.²⁴ As a general matter, the Exchange has regulatory jurisdiction over its member organizations and any person or entity controlling a member organization. The Exchange also has regulatory jurisdiction over a subsidiary or affiliate of a member organization that is in the securities business. A member organization subsidiary or affiliate that does business only in commodities would not be subject to BSE jurisdiction, but the Exchange could obtain certain information regarding the activities of such subsidiary or affiliate through reciprocal agreements with regulatory organizations of which such subsidiary or affiliate is a member.

h. Suitability

Under the general principals of customer suitability, as discussed in BSE Chapter VII, Section 2, before a member, member organization, allied member, or employee of such member organization undertakes to recommend a transaction in the Shares, such member or member

²⁴ The proposed section also states that, in connection with trading physical gold, gold futures or options on gold futures, or any other gold derivatives (including the Shares), the specialist shall 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 physical gold, gold futures or options on gold futures, or any other gold derivatives.

organization should make a determination that the Shares are suitable for such customer. Before any recommendation is made with respect to the Shares, the person making the recommendation should have a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he or she may reasonably be expected to be capable of evaluating the risks and any special characteristics of the recommended transaction, and is financially able to bear the risks of the recommended transaction.

i. Information Circular

The Exchange will distribute an information circular to its members in connection with the trading in the Shares. The circular will discuss the special characteristics and risks of trading this type of security. Specifically, the circular, among other things, will discuss what the Shares are, how a Basket is created and redeemed, the requirement that members and member firms deliver a prospectus to investors purchasing the Shares prior to or concurrently with the confirmation of a transaction, applicable Exchange rules, dissemination information regarding the indicative price of gold and the IIV, trading information, and the applicability of the Exchange suitability rule. The information circular will also explain that the Trust is subject to various fees and expenses described in the Registration Statement, and that the number of ounces of gold required to create a Basket or to be delivered upon a redemption of a Basket will gradually decrease over time because the Shares comprising a Basket will represent a decreasing amount of gold due to the sale of the Trust's gold to pay the Trust's expenses. The information circular will also reference the fact that there is no regulated source of last-sale information regarding physical gold, and that the Commission has no jurisdiction over the trading of gold as a physical commodity.

In the information circular, members and member organizations will be informed that procedures for purchases and redemptions of the Shares in Baskets and that the Shares are not individually redeemable but are redeemable only in Basket-size aggregations or multiples thereof. The information circular will also advise members of their suitability obligations with respect to recommended transactions to customers in the Shares. The circular will also discuss any relief if granted by the Commission or the staff from any rules under the Act.

The information circular will likewise disclose that the NAV for the Shares will be calculated as of the earlier of the London p.m. fix for such day or 12:00 p.m. Eastern Time each day that BSE is open for trading.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with Section 6(b) of the Act,²⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁶ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

²⁵ 15 U.S.C. 78f(b).

²⁶ 15 U.S.C. 78f(b)(5).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments on the proposed rule change were neither solicited nor received.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BSE-2004-54 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-BSE-2004-54. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the

Exchange. 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-BSE-2004-54 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

The Commission finds that the proposed rule change, as amended, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁷ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,²⁸ which requires that an exchange have rules designed, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposal will benefit investors by increasing competition among markets that trade GLD.

In addition, the Commission believes that the proposal is consistent with Section 12(f) of the Act,²⁹ which permits an exchange to trade, pursuant to UTP, a security that is listed and traded on another exchange.³⁰ The Commission notes that it previously approved the listing and

²⁷ In approving the proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ 15 U.S.C. 78l(f).

³⁰ Section 12(a) of the Act, 15 U.S.C. 78l(a), generally prohibits a broker-dealer from trading a security on a national securities exchange unless the security is registered on that exchange pursuant to Section 12 of the Act. Section 12(f) of the Act excludes from this restriction trading in any security to which an exchange "extends UTP." When an

trading of the Shares on NYSE.³¹ The Commission also believes that the proposal is consistent with Rule 12f-5 under the Act,³² which provides that an exchange shall not extend UTP to a security unless the exchange has in effect a rule or rules providing for transactions in the class or type of security to which the exchange extends UTP. The Exchange represented that it meets this requirement because it deems the Shares to be equity securities, thus rendering trading in the Shares subject to the existing rules of the Exchange governing the trading of equity securities, including rules relating to ITS, trading halts, odd-lots, and the minimum trading increment.

The Commission further believes that the proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act,³³ which sets forth Congress's finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities. Quotations for and last sale information regarding GLD are disseminated through the Consolidated Quotation System. Furthermore, as noted by the Exchange, various means exist for investors to obtain reliable gold price information and thereby to monitor the underlying spot market in gold relative to the NAV of their Shares. Additionally, the Trust's Web site will provide an updated IIV at least every 15 seconds. If the Trust ceases to maintain or to calculate the IIV or if the IIV ceases to be widely available, the Exchange would cease trading GLD.

exchange extends UTP to a security, it allows its members to trade the security as if it were listed and registered on the exchange even though it is not so listed and registered.

³¹ See NYSE Approval Order, *supra* note 3.

³² 17 CFR 240.12f-5.

³³ 15 U.S.C. 78k-1(a)(1)(C)(iii).

The Commission notes that, if GLD were to be delisted by NYSE, the Exchange would no longer have authority to trade GLD pursuant to this order.

In support of the proposal, the Exchange made the following representations:

1. The Exchange's surveillance procedures for reviewing trading in GLD will be sufficient to detect and deter manipulation and comparable to the procedures used for reviewing trading in other securities (including ETFs) on the Exchange. In addition, the Exchange entered into an MOU with NYMEX for the sharing of information related to any financial instrument based, in whole or in part, upon an interest in or the performance of gold.
2. The Exchange will distribute an information circular prior to the commencement of trading of GLD on the Exchange that explains its terms, characteristics, and risks of trading GLD.
3. The Exchange will require a member organization with a customer that purchases the Shares on the Exchange to provide that customer with a product prospectus and will note this prospectus delivery requirement in the information circular.

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

Finally, the Commission believes that the Exchange's rules imposing trading restrictions and information barriers on specialists in GLD are reasonable and consistent with the Act. These rules generally require a specialist to report to the Exchange a list of all accounts for trading gold or gold derivatives over which the specialist exercises investment discretion or has an interest. Furthermore, specialists and their affiliated persons will be required to make available to the Exchange, upon request, their books and records pertaining to transactions in gold and gold derivatives.

The Commission finds good cause for approving the proposal prior to the 30th day after the date of publication of the notice of filing thereof in the Federal Register. As noted previously, the Commission previously found that the listing and trading of GLD on NYSE is consistent with the Act.³⁴ The Commission presently is not aware of any regulatory issue that should cause the Commission to revisit that earlier finding or preclude the trading of GLD on the Exchange pursuant to UTP. Therefore, accelerating approval of the proposal should benefit investors by creating, without undue delay, additional competition in the market for GLD.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,³⁵ that the proposed rule change (SR-BSE-2004-54) as amended, is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁶

Margaret H. McFarland
Deputy Secretary

³⁴ See supra note 3.

³⁵ 15 U.S.C. 78s(b)(2).

³⁶ 17 CFR 200.30-3(a)(12).