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November 7, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - *Securities Act* s. 114(2) Takeover Bids – Exemption from the formal take over bid requirements in part 13 of the Act - The applicant wants relief so unitholders of certain mutual funds can purchase more than 20% of the units of the fund without constituting a takeover bid - Units of the fund trade on an exchange; the units are “voting” and “equity securities”; no unitholder can control the fund because of the terms of the constating documents; no purchaser will exercise the votes attached to more than 20% of the outstanding units of the fund

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 114(2)

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New
Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador,
Yukon, Northwest Territories and Nunavut
(the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
iShares CDN Dow Jones Canada Select Growth Index Fund (“XCG”), iShares
CDN Dow Jones Canada Select Value Index Fund (“XCV”), iShares CDN Scotia
Capital All Corporate Bond Index Fund (“XCB”), iShares CDN Scotia Capital All
Government Bond Index Fund (“XGB”) and iShares CDN Scotia Capital Long
Term Bond Index Fund (“XLB”)
(collectively, the “New iShares Funds”)
and Barclays Global Investors Canada Limited
as trustee of the New iShares Funds
(“Barclays Canada”, and together with the New iShares Funds, the “Filers”)

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Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filers for a decision (the “Decision”) under the securities legislation of the Jurisdictions (the “Legislation”) exempting all holders (“Unitholders”) of units (“Units”) of the New iShares Funds from the requirements of the Legislation related to take-over bids, including the requirement to file a report of a take-over bid and the accompanying fee with each applicable Jurisdiction, (the “Take-over Bid Requirements”) in respect of take-over bids for the New iShares Funds.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

1. the Ontario Securities Commission is the principal regulator for this application; and
2. this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

“Baskets” means, collectively, Baskets of Securities and Baskets of Bonds as applicable to each New iShares Fund.

“Baskets of Bonds” means, in relation to XCB, XGB and XLB under their applicable investment objectives, a group of bonds in specified principal amounts as Barclays Canada may determine in its discretion from time to time.

“Baskets of Securities” means, in relation to XCG and XCV, a group of securities of each constituent issuer of the applicable index which, when multiplied by the constituent issuer’s last sale price per security, is approximately equivalent to the constituent issuer’s relative weight in the applicable index.

“Designated Brokers” means registered brokers and dealers that enter into agreements with the iShares Funds to perform certain duties in relation to the New iShares Funds.

“Prescribed Number of Units” means, in relation to a New iShares Fund, the number of Units of the New iShares Fund determined by Barclays Canada from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

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“Take-over Bid Requirements” means the requirements of the Legislation relating to take-over bids, as set out in Schedule A, including the requirement to file a report of a take-over bid and the accompanying fee in each Jurisdiction.

“Underwriters” means registered brokers and dealers that have entered into underwriting agreements with the New iShares Funds and that subscribe for and purchase Units from the New iShares Funds, and “Underwriter” means any one of them.

“Unitholders” means beneficial and registered holders of Units.

Defined terms contained in National Instrument 14-101 have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the New iShares Funds:

Background

1. Each New iShares Fund will be a mutual fund trust governed by the laws of Ontario and will issue Units.
2. Each New iShares Fund will be a reporting issuer under the laws of all of the Jurisdictions.
3. Barclays Canada has applied to list the Units of each New iShares Fund on the Toronto Stock Exchange (the “TSX”). Units of the New iShares Funds will not be sold to investors until the TSX has conditionally approved the listing of Units of each New iShares Fund.
4. Units issued by the New iShares Funds will be index participation units within the meaning of National Instrument 81-102 – Mutual Funds. New iShares Funds will be generally described as exchange traded funds (“ETFs”).
5. Barclays Canada is the trustee of all iShares Funds. Barclays Canada is registered under the Legislation of all Jurisdictions, as a portfolio manager and investment counsel (or the equivalent categories of registration). Barclays Canada is also registered as a Commodity Trading Manager and Limited Market Dealer in Ontario and as a Limited Market Dealer in Newfoundland and Labrador.

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6. The investment objective of each New iShares Fund is to replicate the performance of an index provided by a third-party index provider, net of expenses. The investment objective and applicable index for each New iShares Fund, as well as its investment strategy, is disclosed in the preliminary prospectus filed by Barclays Canada on October 3, 2006 and will be disclosed on an ongoing basis in the prospectus of the New iShares Funds.
7. Units may only be subscribed for or purchased directly from the New iShares Funds by Underwriters or Designated Brokers and orders may only be placed for Units in the Prescribed Number of Units (or an integral multiple thereof) on any day when there is a trading session on the TSX.
8. The New iShares Funds have appointed or will appoint Designated Brokers to perform certain functions which include standing in the market with a bid and ask price for Units of each New iShares Fund for the purpose of maintaining liquidity for the Units.
9. Each Underwriter or Designated Broker that subscribes for Units must deliver, in respect of each Prescribed Number of Units to be issued, a Basket and cash in an amount sufficient so that the value of the Basket and cash delivered is equal to the net asset value of the Units next determined following the receipt of the subscription order. In the discretion of Barclays Canada, XCB, XGB and XLB may also accept cash-only subscriptions for Units in an amount equal to the net asset value of the Units next determined following the receipt of the subscription order.
10. The net asset value per Unit of each New iShares Fund will be calculated and published daily.
11. Upon notice given by Barclays Canada from time to time and, in any event, not more than once quarterly, a Designated Broker will subscribe for Units in cash in an amount not to exceed 0.30% of the net asset value of XCG and XCV and 0.15% of the net asset value of XCB, XGB and XLB, next determined following delivery of the notice of subscription to that Designated Broker.
12. Neither the Underwriters nor the Designated Brokers will receive any fees or commissions in connection with the issuance of Units to them. Barclays Canada may, at its discretion, charge an administration fee on the issuance of Units to the Designated Brokers or Underwriters.
13. Except as described in paragraphs 7 through 11 above, Units may not be purchased directly from the New iShares Funds. Investors are generally

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expected to purchase Units through the facilities of the TSX. However, Units may be issued directly to Unitholders upon the reinvestment of distributions of income or capital gains.

14. Unitholders that wish to dispose of their Units may generally do so by selling their Units on the TSX, through a registered broker or dealer, subject only to customary brokerage commissions. A Unitholder that holds a Prescribed Number of Units or an integral multiple thereof may exchange such Units for Baskets and cash; Unitholders may also redeem their Units for cash at a redemption price equal to 95% of the closing price of the Units on the TSX on the date of redemption.
15. As trustee, Barclays Canada will be entitled to receive a fixed annual fee from each New iShares Fund. Such annual fee will be calculated as a fixed percentage of the net asset value of each New iShares Fund. Barclays Canada will be responsible for the payment of all expenses of the New iShares Funds, except for the trustee fee, any administration fee payable by Designated Brokers or Underwriters in connection with the issuance of Units, any redemption fees payable by Unitholders upon the redemption of a Prescribed Number of Units, any expenses related to the implementation and on-going operation of an independent review committee under National Instrument 81-107 – Independent Review Committee for Investment Funds, any withholding taxes and any income taxes.
16. Unitholders holding at least the Prescribed Number of Units of XCG and XCV will be entitled to vote the applicable portion of the securities of constituent issuers of the applicable index held by the New iShares Fund. Unitholders holding less than a Prescribed Number of Units will have no rights to vote the securities of constituent issuers of the applicable index.
17. Unitholders will have the right to vote at a meeting of Unitholders in respect of a New iShares Fund prior to any change in the fundamental investment objectives of such New iShares Fund, any change to their voting rights and prior to any increase in the amount of fees payable by a New iShares Fund.
18. Although Units trade on the TSX and the acquisition of Units can therefore be subject to the Take-over Bid Requirements:
 - (a) it will not be possible for one or more Unitholders to exercise control or direction over a New iShares Fund as the Declaration of Trust of each New iShares Fund will ensure that there can be no changes made to the New iShares Fund which do not have the support of Barclays Canada;

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- (b) it will be difficult for purchasers of Units to monitor compliance with Take-over Bid Requirements because the number of outstanding Units will always be in flux as a result of the ongoing issuance and redemption of Units by the New iShares Funds; and
 - (c) the way in which Units will be priced deters anyone from either seeking to acquire control, or offering to pay a control premium, for outstanding Units because Unit pricing will be dependent upon, and will generally represent a prescribed percentage of, the level of the applicable index.
19. The application of the Take-over Bid Requirements to the New iShares Funds would have an adverse impact upon Unit liquidity because they could cause Designated Brokers and other large Unitholders to cease trading Units once prescribed take-over bid thresholds are reached. This, in turn, could serve to provide conventional mutual funds with a competitive advantage over the New iShares Funds.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the purchase of Units by a person or company (a “Unit Purchaser”) in the normal course through the facilities of the TSX is exempt from the Take-over Bid Requirements for so long as the New iShares Funds remain ETFs provided that, prior to making any take-over bid for Units that is not otherwise exempt from the Take-over Bid Requirements, the Unit Purchaser, and any person or company acting jointly or in concert with the Unit Purchaser (a “Concert Party”), provide Barclays, as trustee and manager of the New iShares Funds, with an undertaking not to exercise any votes attached to the Units held by the Unit Purchaser and any Concert Party which represent more than 20% of the votes attached to all outstanding Units.

Wendell S. Wigle
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