



## Information Circular: iPath Exchange-Traded Notes

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**To:** Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

**From:** PHLX Listing Qualifications Department

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<u>Fund Name</u>	<u>Symbol</u>	<u>CUSIP Number</u>
iPath Exchange-Traded Notes Linked to the MSCI India Total Return Index (the "Notes")	INP	06739F291

The purpose of this memorandum is to outline various rules and policies that will be applicable to trading in this new product, including certain exemptive, interpretive and no-action positions taken by the Securities and Exchange Commission ("SEC"), as well as to highlight the characteristics and risk of the Notes. For a more complete description of the Notes, visit the Notes' website, <http://www.ipathetn.com>, or consult the prospectus used in connection with the offering of the Notes ("Prospectus").

### Background Information on the Notes

The Notes are a series of debt securities of Barclays Bank PLC ("Barclays") that provide for a cash payment at maturity or upon earlier redemption at the holder's option, based on the performance of the Index subject to the adjustments described below. The original issue price of each Note will be \$50. 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 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 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 will have a term of 30 years. The Notes are not callable.

Holders who have not previously redeemed their Notes will receive a cash payment at maturity equal to the initial issue price 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 and the "final index level" is the closing value of the Index on the Final Valuation Date.

The investor fee will be equal to 0.89% per year times the principal amount of Holders' Notes times the index factor, calculated on a daily basis in the following manner: The investor fee on the date of issuance will equal zero. On each subsequent calendar day until maturity or early redemption, the investor fee will increase by an amount equal to 0.89% times the principal amount of Holders' Notes times the index factor on that day (or, if such day is not a trading day,<sup>1</sup> the index factor on the immediately preceding trading day) divided by 365.

Prior to maturity, holders may, subject to certain restrictions, 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. Holders may also act through a broker or other financial intermediary (such as a bank or other financial institution not required to register as a broker-dealer to engage in securities transactions) that is willing to bundle their Notes for redemption with other investors' Notes. Barclays may from time to time in its sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Notes. Any such reduction will be applied on a consistent basis for all holders of Notes at the time the reduction becomes effective. If a holder chooses to redeem such holder's Notes, the holder will receive a cash payment on the applicable Redemption Date equal to the Weekly Redemption Value, which is the initial issue price of such holder's Notes times the index factor on the applicable Valuation Date minus the investor fee on the applicable Valuation Date, less the redemption charge. The "redemption charge" is a one-time charge imposed upon early redemption and is equal to 0.00125 times the Weekly Redemption Value. The investor fee and the redemption charge are the only fees holders will be charged in connection with their ownership of the Notes. 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, 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>2</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 suspension, absence or material limitation of trading in a material number of Index Components, as determined by the calculation agent in its sole discretion, (ii) a suspension, absence or material limitation of trading in option or futures contracts relating to the Index or a material number of Index Components in the primary market for those contracts for more than two hours of trading or during the one-half hour before the close of trading in the relevant market, as determined by the calculation agent in its sole discretion, (iii) the Index is not published or (iv) any other event, if the calculation agent determines in its sole discretion that such event materially interferes with the ability of Barclays or any of its affiliates to unwind all or a material portion of certain hedges with respect to the Notes that Barclays or any of its affiliates have effected or may effect.

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<sup>1</sup> A trading day is a day on which (i) the value of the Index is published by MSCI, (ii) trading is generally conducted on the New York Stock Exchange and (iii) trading is generally conducted on the NSE, as determined by the calculation agent in its sole discretion.

<sup>2</sup> Barclays will serve as the initial calculation agent.

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: (i) deliver a notice of redemption to Barclays via email 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, it will respond by sending the holder a form of confirmation of redemption, (ii) 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 or its affiliate must acknowledge receipt in order for the confirmation to be effective, (iii) instruct holder's Depository Trust Company ("DTC") custodian to book a delivery vs. payment trade with respect to holder's Notes on the Valuation Date at a price equal to the applicable Weekly Redemption Value, facing Barclays Capital DTC 5101 and (iv) cause holder's DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. ET 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 would equal: (i) the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus (ii) the reasonable expenses, including reasonable attorney's fees, incurred by the holders of the Notes in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Notes (described below), the holders of the Notes and/or Barclays may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in item (i) above will equal the lowest, or, if there is only one, the only, quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two business days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount. The default quotation period is the period beginning on the day the default amount first becomes due and ending

on the third business day after that day, unless: (i) no quotation of the kind referred to above is obtained or (ii) every quotation of that kind obtained is objected to within five business days after the due date as described above. If either of these two events occurs, the default quotation period will continue until the third business day after the first business day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five business days after that first business day, however, the default quotation period will continue as described in the prior sentence and this sentence. In any event, if the default quotation period and the subsequent two business day objection period have not ended before the Final Valuation Date, then the default amount will equal the principal amount of the Notes.

### Indicative Value

An intraday “indicative value” meant to approximate the intrinsic economic value of the Notes, updated to reflect changes in currency exchange rates, will be calculated and published by a third party service provider via the facilities of the Consolidated Tape Association at least every fifteen seconds throughout the NYSE trading day on each day on which the Notes are traded on PHLX. Additionally, Barclays or an affiliate expect to calculate and publish the closing indicative value of the Notes on each trading day at [www.ipathetn.com](http://www.ipathetn.com). The last sale price of the Notes will also be disseminated over the consolidated tape, subject to a 20- minute delay. In connection with the Notes, Barclays uses the term “indicative value” to refer to the value at a given time determined based on the following equation:

Indicative Value = Principal Amount per Security X (Current Index Level/Initial Index Level) – Current Investor Fee

Where:

Principal Amount per Security = \$50,

Current Index Level = The most recent level of the Index published by Morgan Stanley Capital International Inc. (“MSCI”),

Initial Index Level = The level of the Index on the Date of Issuance and

Current Investor Fee = The most recent daily calculation of the holder’s investor fee with respect to the holder’s securities, 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 changes in the prices of securities included in the Index resulting from trading on other markets after the close of trading on the National Stock Exchange of India (the “NSE”).

### Description of the Index

The Index is a free float-adjusted market capitalization index that is designed to measure the market performance, including price performance and income from dividend payments, of Indian equity securities. The Index is currently comprised of the top 68 companies by market capitalization (the “Index Components”) listed on the National Stock Exchange of India (the “NSE”). The number of securities included in the Index will vary over time as, in all of its country indexes, MSCI targets an 85%

free float-adjusted market representation level within each industry group. The Index is calculated by MSCI and is denominated in U.S. dollars.

Securities eligible for inclusion in the Index include equity securities issued by companies incorporated in India. The shares of those companies are mainly traded on the NSE. However, in cases where such prices are not available due to the delisting from the NSE, official closing prices from the Bombay Stock Exchange (the "BSE") may be used. The NSE was established at the behest of the Government of India in November 1992, and the capital markets segment commenced operations in November 1994. As of the end of October 2006, there were approximately 1016 companies listed on the NSE. Trades executed on the NSE are cleared and settled by a clearing corporation, the National Securities Clearing Corporation Limited, which acts as a counterparty and guarantees settlement.

The weighting of a company in the Index is intended to be a reflection of the current importance of that company in the market as a whole. Stocks are selected and weighted according to the same consistent methodology that is applied to all MSCI Indexes, as described below. The reason for a company being heavily weighted reflects the fact that it has a relatively larger market capitalization than other, smaller Index Components. The Index Components are frequently reviewed to ensure that the Index continues to reflect the state and structure of the underlying market it measures. The composition of the Index is reviewed quarterly every January, April, July and October.

The NSE opens at 9:55 a.m. Mumbai time (12:25 a.m. ET, 5:25 a.m. London time) and closes at 3:30 p.m. Mumbai time (6:00 a.m. ET, 11:00 a.m. London time). All of the securities included in the Index generally trade during these hours. The Index is calculated and is updated continuously until the market closes and is published as end of day values in U.S. dollars using the exchange rate published by WM Reuters at 4:00 p.m. on the previous day. The Index is reported by Bloomberg, L.P. under the ticker symbol "NDEUSIA." The Index is static during PHLX's trading day.

## **Principal Risks**

The Notes are unsecured promises of Barclays and are not secured debt. The Notes are riskier than ordinary unsecured debt securities. As stated in the Prospectus, an investment in the Notes carries certain risks:

- Even if the value of the Index at maturity or upon redemption exceeds the initial Index level, Note holders may receive less than the principal amount of their Notes.
- Note holders will not benefit from any increase in the value of the Index if such increase is not reflected in the value of the Index on the applicable valuation date.
- There are restrictions on the minimum number of Notes a Note holder may redeem and on the dates on which a Note holder may redeem them.
- The market value of the Notes may be influenced by many unpredictable factors, including volatile stock prices.

- Historical values of the Index or any Index component should not be taken as an indication of the future performance of the Index during the term of the Notes.
- Investing in a security linked to an index based on emerging market stocks bears potential risks.
- The Notes are subject to foreign exchange risk.
- The liquidity, trading value and amounts payable under the Notes could be affected by the actions of the U.S. and Indian governments.
- Even though the U.S. dollar and the Indian rupee are traded around-the-clock, the Notes will trade only during regular trading hours in the United States.
- Foreign exchange rate information may not be readily available.
- Changes in Barclays' credit ratings may affect the market value of the Notes.
- Note holders will not receive interest payments on the Notes or have rights in the exchange traded futures contracts constituting the Index components.
- There may not be an active trading market in the Notes; sales in the secondary market may result in significant losses.
- Trading and other transactions by Barclays or its affiliates in instruments linked to the Index or Index components may impair the market value of the Notes.
- The liquidity of the market for the Notes may vary materially over time.
- Barclays' business activities may create conflicts of interest.
- Barclays and its affiliates have no affiliation with MSCI and are not responsible for its public disclosure of information, which may change over time.
- The policies of MSCI and changes that affect the Index or the Index components could affect the amount payable on the Notes and their market value.
- The rights of Barclays to use the Index are subject to the terms of a license agreement.
- There are potential conflicts of interest between the Noteholders and the calculation agent.
- If a market disruption event has occurred or exists on a valuation date, the calculation agent can postpone the determination of the value of the Index or the maturity date or a redemption date.
- Concentration risks associated with the Index may adversely affect the market price of the securities.

## **Exchange Rules Applicable to Trading in the Shares**

Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX rules.

### **Suitability**

Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

PHLX members and member organizations also should review NASD Notice to Members 03-71 or guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

### **Trading Hours**

The value of the Index underlying the Shares is disseminated every 15 seconds. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during PSX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Funds during these sessions, when the underlying index's values may not be disseminated.

### **Trading Halts**

PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Notes and/or the underlying value of the index are not being disseminated as required, or a halt for other regulatory reasons. In addition, PHLX will stop trading the Notes if the primary market de-lists them.

### **Delivery of a Prospectus**

PHLX members and member organizations are advised to consult the section entitled "Plan of Distribution" in the prospectus with respect to the prospectus-delivery requirements relating to the Notes.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, PHLX Rule 803(o) requires that PHLX members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a

confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, PHLX members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a PHLX member or member organization to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

A PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to PHLX members and member organizations under this rule.

Upon request of a customer, PHLX members and member organizations also shall provide a copy of the prospectus.

### **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The SEC has issued exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 (the "Exchange Act"), regarding trading in the Notes, which is summarized below. See letter dated May 30, 2006, from James A. Brigagliano, Acting Associate Director, Office of Trading Practices and Processing, Division of Market Regulation, to George H. White (the "Letter"). As this is only a summary of the relief granted by the SEC, PHLX also advises interested members to consult the Letter for more complete information regarding the trading practices relief granted by the SEC. In addition, PHLX has taken an interpretive position with respect to its short sale rule.

### **Regulation M Exemptions**

Generally, Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits a "distribution participant" and the issuer or selling security holder, in connection with a distribution of securities, from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rule apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities, and affiliated purchasers of such persons.

The SEC has granted an exemption from paragraph (d) of Rule 101 under Regulation M to permit persons who may be deemed to be participating in a distribution of Notes to bid for or purchase Notes during their participation in such distribution. The SEC also has granted an exemption from Rule 101 to permit the Distributor to publish research during the applicable restricted period on the Trust's website.



Rule 102 of Regulation M prohibits issuers, selling security holders, or any affiliated purchaser of such person from bidding for, purchasing, or attempting to induce any person to bid for or purchase a covered security during the applicable restricted period in connection with a distribution of securities effected by or on behalf of an issuer or selling security holder. Rule 100 of Regulation M defines “distribution” to mean any offering of securities that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods. The SEC has granted an exemption from paragraph (e) of Rule 102 to permit the Trust and its affiliated purchasers to redeem Notes during the continuous offering of the Notes.

### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he or she participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has taken a no-action position under Section 11(d)(1) of the Exchange Act if broker-dealers (other than the Distributor) that do not create or redeem Notes but engage in both proprietary and customer transactions in Notes exclusively in the secondary market extend or maintain or arrange for the extension or maintenance of credit on Notes in connection with such secondary market transactions.

The SEC has also taken a no-action position under Section 11(d)(1) of the Exchange Act that broker-dealers (other than the Distributor) may treat the Notes, for purposes of Rule 11d1-2, as “securities issued by a registered . . . open-end investment company as defined in the Investment Company Act” and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the Notes that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

**This Information Circular is not a statutory prospectus. PHLX members and member organizations should consult the Notes’ Registration Statement and the prospectus for relevant information.**

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Inquiries regarding this Information Circular should be directed to:

- [Will Slattery](#), PHLX Listing Qualifications, at 301.978.8088
- [PSX Market Sales](#) at 800.846.0477