



Information Circular: iShares® Exchange Traded Funds

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

From: William Slattery, Director, NASDAQ Listing Qualifications Department

DATE: March 5, 2007

The NASDAQ Stock Market LLC (“NASDAQ”) began operating as a national securities exchange for trading non-NASDAQ listed securities on February 12, 2007. As a result, shares of the iShares Silver Trust (SLV), which had previously traded over-the-counter on our systems, will be traded by NASDAQ as an exchange on an unlisted trading privileges (UTP) basis for the first time, starting March 5, 2007.

Background Information on the Trust

As more fully explained in the Registration Statement (No. 333-125920) for the iShares Silver Trust (the “Trust”), the iShares Silver Trust issues shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust consist primarily of silver held by the Trust’s Custodian on behalf of the Trust. The objective of the Trust is for the shares of the Trust (“Shares”) to reflect the price of silver owned by the Trust less the Trust’s expenses and liabilities.

Barclays Global Investors International Inc. (the “Sponsor”) is the sponsor of the Trust, The Bank of New York (the “Trustee”) is the trustee of the Trust, and JPMorgan Chase Bank N.A., London branch (the “Custodian”), is the custodian of the Trust. The Trust is not an investment company registered under the Investment Company Act of 1940. The Trust is not a commodity pool for purposes of the Commodity Exchange Act, and its sponsor is not subject to regulation by the Commodity Futures Trading Commission as a commodity pool operator, or a commodity trading advisor.

Silver owned by the Trust will be held by the Custodian in England, and other locations that may be authorized in the future. The agreement between the Trust and the Custodian is governed by English law.

As described more fully in the prospectus and the registration statement for the Trust, the Trust issues and redeems Baskets of Shares on a continuous basis (a Basket equals 50,000 Shares). Baskets of Shares are only issued or redeemed in exchange for an amount of silver determined by the Trustee on each day that the American Stock Exchange (the “AMEX”) is open for regular trading. No Shares are issued unless the Custodian has allocated to the Trust’s account (except for an unallocated amount of silver not in excess of 1100 ounces), the corresponding amount of silver. Initially, a Basket required delivery of 500,000 ounces of silver.

The amount of silver necessary for the creation of a Basket, or to be received upon redemption of a Basket, will decrease over the life of the Trust, due to the payment or accrual of fees and other expenses or liabilities payable by the Trust. Baskets may be created or redeemed only by Authorized Participants, who pay the Trustee a transaction fee for each order to create or redeem Baskets.

The net asset value of the Trust is obtained by subtracting the Trust's expenses and liabilities on any day from the value of the silver owned by the Trust on that day; the net asset value per iShare, or NAV, is obtained by dividing the net asset value of the Trust on a given day by the number of Shares outstanding on that date. On each day on which the AMEX is open for regular trading, the Trustee determines the NAV as promptly as practicable after 4:00 p.m. (New York time). The Trustee values the Trust's silver on the basis of that day's announced London Fix. If there is no London Fix on that day, the Trustee is authorized to use the most recently announced London Fix unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate as a basis for evaluation. The Trustee will also at the same time determine an "Indicative Basket Silver Amount" that Authorized Participants can use as an indicative amount of silver to be deposited for issuance of the Silver Shares on the next business day. The Basket Silver Amount, the Indicative Basket Silver Amount, and the NAV are communicated by the Trustee to all Authorized Participants via facsimile or electronic mail message and will be available on the Trust's website at www.ishares.com (to which NASDAQ will provide a link from its website at www.nasdaq.com).

The Sponsor's fee is accrued daily and paid monthly in arrears at an annualized rate equal to 0.50% of the adjusted net asset value of the Trust. The Trustee will from time to time sell silver in such quantity as may be necessary to permit payment of the Sponsor's fee and of Trust expenses and liabilities not assumed by the Sponsor. The Trustee is authorized to sell silver at such times and in the smallest amounts required to permit such payments as they become due, it being the intention to avoid or minimize the Trust's holdings of assets other than silver. Accordingly, the amount of silver to be sold will vary from time to time depending on the level of the Trust's expenses and liabilities and the market price of silver. As a result, in the absence of any extraordinary expenses and liabilities, the amount of silver by which the Basket Silver Amount will decrease each day will be predictable (i.e. 1/365th of the net asset value of the Trust multiplied by 0.50%).

The Depository Trust Company ("DTC") serves as securities depository for the Shares, which may be held only in book-entry form. Stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding shares of the Trust.

The registration statement for the Trust describes the various fees and expenses for the Shares. For a complete description of the Trust, visit <http://www.ishares.com>

Indicative Trust Value

In order to provide updated information relating to the Trust for use by investors, professionals and persons wishing to create or redeem Shares, the American Stock Exchange disseminates through the facilities of CTA an updated Indicative Trust Value (the "Indicative Trust Value"). The Indicative Trust Value is disseminated on a per Share basis every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:15 p.m. ET under the index symbol "SBV". The Indicative Trust Value is calculated

based on the amount of silver required for creations and redemptions and a price of silver derived from the midpoint of updated bids and offers indicative of the dealer price of silver. It should be noted, however, that the performance of the Trust may not track the performance of silver exactly. Thus, at any give time or from time to time, the Indicative Trust Value may differ from the Trust's NAV. In addition, the Indicative Trust Value on a per Share basis disseminated during Amex trading hours should not be viewed as a real time update of the NAV, which is calculated only once a day by the Trustee.

Creation and Redemption of Shares

The Trust will issue and redeem Shares on a continuous basis only in Baskets of 50,000 shares or multiples thereof, by or through participants that have entered into participant agreements (each, an Authorized Participant) with the Sponsor and the Trustee. Basket aggregations will be issued in exchange for the corresponding Basket Silver Amount that will be determined on each business day by the Trustee. The Basket Silver Amount necessary for the creation of a Basket will change from day to day. The initial Basket Silver Amount is 500,000 ounces of silver. On each day that the Amex is open for regular trading, the Trustee will adjust the quantity of silver constituting the Basket Silver Amount as appropriate to reflect sales of silver, any loss of silver that may occur, and accrued expenses. These items are described in the Trust's prospectus and registration statement.

Authorized Participants who wish to purchase a Basket must transfer the Basket Silver Amount to the Trust in exchange for a Basket. Authorized Participants who wish to redeem a Basket will receive the Basket Silver Amount in exchange for each Basket surrendered. Silver deposited with the Custodian must meet the specifications for weight, dimensions, fineness (or purity), identifying marks and appearance of silver bars as set forth in "The Good Delivery Rules for Silver and Silver Bars" published by the London Bullion Market Association. No Shares will be issued unless and until the Custodian has informed the Trustee that it has allocated to the Trust's account (except that any amounts of less than 430 ounces may be held in the trust account on an unallocated basis). Unless otherwise agreed to by the Custodian, silver will be delivered to the redeeming Authorized Participants in the form of physical bars only.

Given the predictability of the daily decline in the Basket Silver Amount, the Trustee will provide an Indicative Basket Silver Amount for the next business day. Authorized Participants may use the Indicative Basket Silver Amount as guidance regarding the amount of silver expected to deposit with the Custodian. Before 4:00 p.m., the Authorized Participants may use the Indicative Basket Silver Amount as guidance in respect of the amount of silver that they may expect to be required to deposit in connection with the issuance of Shares on such next business day. But if the Indicative Basket Silver Amount published by Barclays and Trustee turns out to be incorrect the amount actually determined by Trustee will control.

The Trust's prospectus and registration statement describe additional procedures and requirements that apply to creation and redemptions of Shares. NASDAQ members interested in becoming an Authorized Participant, or obtaining a list of Authorized Participants, can contact the Sponsor at (415) 402-4622, (415) 402-4619, or (415) 402-4649 for more information.

Availability of Information Regarding the Underlying Silver

There is a considerable amount of silver price and silver market information available on public Web sites and through professional and subscription services. In most instances, real-time information is only available for a fee, and information available free of charge is subject to delay (typically 20 minutes). Investors may obtain on a 24-hour basis silver pricing information based on the spot price for a troy ounce of silver from various financial information service providers, such as Reuters and Bloomberg. Reuters and Bloomberg also offer a professional service to subscribers for a fee that provides information on silver prices directly from market participants. In addition, an organization named EBS provides an electronic trading platform to institutions such as bullion banks and dealers for the trading of spot silver, as well as a feed of live streaming prices to Reuters and Moneyline Telerate subscribers.

The Trust's website also provides at no charge continuously updated bids and offers indicative of the spot price of silver, provided by The Bullion Desk (<http://thebulliondesk.com>), which is not affiliated with Amex, the Trust, the Trustee, or the Sponsor of the Trust. Complete real-time data for silver futures and options prices traded on the COMEX is available by subscription from Reuters and Bloomberg. The closing price and settlement prices of the COMEX silver futures contracts are publicly available from the NYMEX at <http://www.nymex.com>, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. The NYMEX also provides delayed futures and options information on current and past trading sessions and market news free of charge on its Web site.

Investment Risks

NASDAQ members are referred to the Trust's prospectus and registration statement for a description of risks associated with an investment in the Shares of the Trust. See the Registration Statement for more detail regarding these risks factors and for additional risk factors.

- Shares are created to reflect, at any given time, the market price of silver owned by the Trust at that time less the Trust's expenses and liabilities. Because the value of Shares depends on the price of silver, it is subject to fluctuations similar to those affecting silver prices. The price of silver has fluctuated widely over the past several years. If silver markets continue to be characterized by the wide fluctuations that they have shown in the past several years, the price of the Shares will change widely and in an unpredictable manner.
- The amount of silver represented by the Shares will decrease over the life of the Trust due to the sales necessary to pay the Sponsor's fee and trust expenses. To retain the iShare's original price, the price of silver will have to increase. Without that increase, the lower amount of silver represented by the iShare will have a correspondingly lower price.
- The value of the Shares will be adversely affected if silver owned by the Trust is lost or damaged in circumstances in which the Trust is not in a position to recover the corresponding loss.
- Owners of the Shares will not have the protections normally associated with ownership of shares in an investment company registered under the

- Investment Company Act of 1940 or the protections afforded by the Commodity Exchange Act to investors in CFTC-regulated commodity pools.
- There is no regulated source of last sale information regarding physical silver. The SEC has no jurisdiction over the trading of physical commodities such as silver or futures on which the value of the Shares are based, although the CFTC has regulatory jurisdiction over the trading of silver futures contracts and options on silver futures contracts.
 - The Trust will have a limited duration. If certain events occur, at any time, the Trustee will be required to terminate the Trust, otherwise the Trust will terminate after forty years.
 - Shares trade at market prices that may differ from NAV. The NAV of the Shares will fluctuate with changes in the market value of the Trust's assets. The trading prices of the Shares will fluctuate in accordance with changes in the NAV as well as market supply and demand.
 - While the Shares will trade on the AMEX until 4:15 P.M. ET, liquidity in the market for silver will be reduced after the close of the major world silver markets, including London, Zurich and COMEX (which usually closes at 1:30 P.M. ET time). The OTC market for Silver trades on a 24-hour continuous basis and accounts for the substantial portion of global silver trading. The OTC market has no formal structure and no open-outcry meeting place.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on NASDAQ is subject to NASDAQ equity trading rules, including NASDAQ Rule 4630, which governs the trading of and surveillance procedures applicable to Commodity-Related Securities. Under that rule:

Information Barriers — Market Makers must establish adequate information barriers when engaging in inter-departmental communications and should refer to the NASD/NYSE Joint Memo on Chinese Wall Policies and Procedures in [NASD Notice to Members 91-45](#) for guidance on the minimum elements of adequate information barriers. For purposes of the Shares only, "inter-departmental" communications include communications to other departments within the same firm or the firm's affiliates that involve trading in an underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives. Market Makers are also responsible for establishing adequate written supervisory procedures regarding these and other commodity-related securities in which they make markets.

Market Maker Accounts — Market Makers will be required to file and keep current a list identifying all accounts for trading in an underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, that the Market Maker may have or over which it may exercise investment discretion. No Market Maker shall trade in an account that has not been reported as required by Rule 4630.

Books and Records — Market Makers will be required to make available to NASDAQ Regulation such books, records or other information pertaining to transactions in the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, as may be requested by NASDAQ Regulation.

Material Non-Public Information — In connection with trading the Shares or the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives, Market Makers will not be permitted to use any material non-public information received from any person associated with the Market Maker or employee of such person regarding trading by such person or employee in the underlying commodity, related commodity futures, options on commodity futures, forward contracts or swaps, or any other related commodity derivatives.

Market Makers currently trading these Shares must complete the [Market Maker Disclosure Report for Commodity-Related Securities form](#) and establish written supervisory procedures for trading these Shares.

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in the NASDAQ Conduct Rules.

Members also should review NASD [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 indicative trust value is disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 9:30 a.m. and 4:00 p.m. Eastern Time.

Trading Halts

NASDAQ will halt trading in the Shares in accordance with [NASDAQ Rule 4120](#). The grounds for a halt under NASDAQ Rule 4120 include a halt by the primary market because the intraday Indicative Trust Value or the value of the underlying spot price of silver are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ will stop trading the Shares if the primary market delists them.

Delivery of a Prospectus

Pursuant to federal securities laws, investors purchasing shares of the Trust must receive a Trust prospectus prior to or concurrently with the confirmation of a transaction in Shares. Prospectuses may be obtained through the Sponsor at 1-800-ISHARES or on the Trust’s website at www.ishares.com. The prospectus does not

contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Trust or the Shares, please refer to the registration statement.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the Shares of the Trust.

Short Sale Rules

Transactions in Shares will not be subject to "tick" requirements of the SEC short sale rule (SEC Rule 10a-1) or the "bid" requirements of the NASDAQ short sale rule ([NASDAQ Rule 3350](#)). Short orders must be marked SHORT or SHORT EXEMPT. (See paragraph below regarding Rule 200(g) of Regulation SHO.)

Rule 200(g) of Regulation SHO

The SEC Division of Market Regulation has stated that the Division will not recommend enforcement action under Rule 200(g) of Regulation SHO if a broker-dealer marks "short" rather than "short exempt" a short sale effected in the Shares, subject to specified conditions, including that a broker-dealer executing exempt short sales will mark such sales as "short" and in no event will such sales be marked "long". ([See](#) letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, SEC, to Ira Hammerman, Senior Vice President and General Counsel, Securities Industry Association, dated January 3, 2005.)

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" 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 Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of the Shares to engage in secondary market transactions in such Shares during their participation in such a distribution. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Baskets during the continuous offering of shares.

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

Section 11(d)(1) of the 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 participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Baskets) that engage in both proprietary and customer transactions in Shares in the secondary market. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B) or (C). The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares, 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 Shares 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.

The SEC has also taken a no-action position under Section 11(d) of the Exchange Act if an Authorized Participant ("AP") extends or maintains or arranges for the extension or maintenance of credit on Shares in reliance on the class exemption granted in the Letter re: Derivative Products Committee of the Securities Industry Association ("SIA") (November 21, 2005), provided (1) that the AP does not receive from the Trust, directly or indirectly, any payment, compensation or other economic incentive to promote or sell the Shares to persons outside the Trust, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B), or (C); and (2) the AP does not extend, maintain or arrange for the extension or maintenance of credit to or for a customer on Shares before thirty days from the start of trading in the Shares (except as otherwise permitted pursuant to Rule 11d1-1). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. NASDAQ members should consult the iShares prospectuses and the Fund's website at www.iShares.com for relevant information.

Inquiries regarding this Information Circular should be directed to:

- [Will Slattery](#), Director, NASDAQ Listing Qualifications, at 301.978.8088
- NASDAQ Office of General Counsel at 301.978.8400
- [NASDAQ Market Sales](#) at 800.846.0477