



Information Circular: iPath Exchange-Traded Notes

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, the iPath Exchange-Traded Notes Linked to the Goldman Sachs Crude Oil Total Return Index (OIL) (the "Notes"), which have 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, effective March 5, 2007.

The purpose of this memorandum is to outline various rules and policies that will be applicable to trading in this 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 Trust

The Notes are Index-linked debt securities of Barclays Bank PLC ("Barclays") linked to the performance of the Goldman Sachs Crude Oil Total Return (the "Index"). The Index is a sub-index of the Goldman Sachs Commodity Index (the "GSCI"), and reflects the excess returns that are potentially available through an unleveraged investment in the contracts comprising the relevant components of the Index (which currently includes only the WTI crude oil futures contract traded on the NYMEX) plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts. The Treasury Bill rate of interest used for purposes of calculating the index on any day is the 91-day auction high rate for U.S. Treasury Bills, as reported on Telerate page 56, or any successor page, on the most recent of the weekly auction dates prior to such day. The value of the Index, on any given day, reflects (i) the price levels of the contracts included in the Goldman Sachs Crude Oil Total Return Index™ (which represents the value of the Goldman Sachs Crude Oil Total Return Index™); (ii) the "contract daily return," which is the percentage change in the total dollar weight of the Goldman Sachs Crude Oil Total Return Index™ from the previous day to the current day; and (iii) the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

There is no regulated source of last sale information regarding physical commodities and the SEC has no jurisdiction over the trading of crude oil or the futures contracts on which the value of the Notes is based.

The Notes provide for a cash payment at maturity or upon earlier exchange at the holder's option, based on the performance of the Index subject to the adjustments described below. The principal amount of each Note will be \$50. The Notes will trade on NASDAQ and NASDAQ's existing equity trading rules will apply to trading in the Notes. 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 exchange or 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.

Holders who have not previously redeemed their Notes will receive a cash payment at maturity equal to the principal amount 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 index factor on the Final Valuation Date will be equal to the final index level 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 (the "Trade Date"), and the "final index level" is the closing value of the Index on the Final Valuation Date. The investor fee is equal to 0.75% per year times the principal amount of a holder's Notes times the index factor, calculated on a daily basis in the following manner: The investor fee on the Trade Date will equal zero. On each subsequent calendar day until maturity or early redemption, the investor fee will increase by an amount equal to 0.75% times the principal amount of a holder's Notes times the index factor on that day (or, if such day is not a trading day, the index factor on the immediately preceding trading day) divided by 365. The investor fee is the only fee holders will be charged in connection with their ownership of the Notes.

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, or they act through a broker or other financial intermediaries (such as a bank or other financial institution not required to register as a broker-dealer to engage in securities transactions) that are willing to bundle their Notes for redemption with other investors' Notes. If a holder chooses to redeem such holder's Notes on a Redemption Date, such holder will receive a cash payment on such date equal to the principal amount of such holder's Notes times the index factor on the applicable Valuation Date minus the investor fee on the applicable Valuation Date. 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. 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 material limitation, suspension or disruption in the trading of any Index component which results in a failure by the trading facility on which the relevant contract is traded to report a daily contract reference price (i.e., the price of the relevant contract that is used as a reference or benchmark by market participants); (ii) the daily contract reference price for any Index component is a "limit price", which means that the daily contract reference price for such contract has increased or decreased from the previous day's daily contract reference price by the maximum amount permitted under the applicable rules or procedures of the relevant trading facility; (iii) failure by the Index Sponsor to publish the closing value of the Index or of the applicable trading facility or other price source to announce or publish the daily contract reference price for one or more Index component; or (iv) any other event, if the calculation agent determines in its sole discretion that the event materially interferes with Barclays' ability or the ability of any of Barclays' affiliates to unwind all or a material portion of a hedge with respect to the Notes that Barclays or Barclays' affiliates have effected or may effect as described herein in connection with the sale of the Notes.

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:

- deliver a notice of redemption to Barclays via email by no later than 11:00 a.m. New York time on the business day prior to the applicable Valuation Date. If Barclays receives such notice by the time specified in the preceding sentence, it will respond by sending the holder a confirmation of redemption;
- deliver the signed confirmation of redemption to Barclays via facsimile in the
- specified form by 4:00 p.m. New York time on the same day. Barclays must acknowledge receipt in order for the confirmation to be effective; and
- transfer such holder's book-entry interest in its Notes to the trustee on Barclays' behalf at or prior to 10:00 a.m. 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 will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys' 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 the first bullet point 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:

- no quotation of the kind referred to above is obtained, or
- 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 stated principal amount of the Notes.

Major market data vendors will disseminate at least every 15 seconds (during the time that the Shares trade on NASDAQ) the GSCI and Index values. An intraday "Indicative Value" meant to approximate the intrinsic economic value of the Notes will be calculated and published via the facilities of the Consolidated Tape Association ("CTA") every 15 seconds throughout the trading day on each day on which the Notes are traded on NASDAQ.

Additionally, Barclays or an affiliate will calculate and publish the closing Indicative Value of the Notes on each trading day at www.ipathetn.com. In connection with the Notes, the term "Indicative Value" refers to the value at a given time determined based on the following equation:

$$\text{Indicative Value} = \text{Principal Amount per Unit} \times (\text{Current Index Level} / \text{Initial Index Level}) - \text{Current Investor Fee}$$

where:

Principal Amount per Unit = \$50

Current Index Level = The most recent published level of the Index as reported by the Goldman Sachs Group, Inc..

Initial Index Level = The Index level on the trade date for the Notes.

Current Investor Fee = The most recent daily calculation of the investor fee with respect to the Notes, determined as described above (which, during any trading day, will be the investor fee determined on the preceding calendar day).

NASDAQ will provide a link from its website at www.nasdaq.com to the Notes' website at www.ipathetn.com.

Principal Risks

The Notes are unsecured promises of Barclays Bank PLC 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 commodities prices suspension or disruptions of market trading in commodities and related futures may adversely affect the value of the Notes.
- Higher future prices of the Index components relative to their current prices may decrease the amount payable at maturity or upon redemption.
- 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.
- Commodity prices may change unpredictably, affecting the value of the Index and the value of the Notes in unforeseeable ways.
- Changes in the Treasury bill rate of interest may affect the value of the Index and the Notes.

- 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 Bank PLC or its affiliates in instruments linked to the Index or Index components may impair the market value of the Notes.
- Barclays' business activities may create conflicts of interest.
- Barclays Bank PLC and its affiliates have no affiliation with Goldman, Sachs & Co. and are not responsible for its public disclosure of information, which may change over time.
- The policies of the Index sponsor and changes that affect the Index or the Index components could affect the amount payable on the Notes and their market value.
- The GSCI may in the future include contracts that are not traded on regulated futures exchanges.
- Changes in the composition and valuation of the Index or the GSCI may adversely affect the Notes.
- There are potential conflicts of interest between the Noteholders and the calculation agent.
- The calculation agent can postpone the determination of the value of the Index or the maturity date or redemption date if a market disruption event occurs on a valuation date.

Exchange Rules Applicable to Trading in the Shares

Trading in the Notes 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 Notes 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 Notes 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 Notes 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 Notes on NASDAQ will be subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in the Notes 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 value of the index underlying the Notes is disseminated to data vendors every 15 seconds. The Notes will trade on NASDAQ between 9:30 a.m. and 4:00 p.m. Eastern Time.

Trading Halts

NASDAQ will halt trading in the Notes in accordance with [NASDAQ Rule 4120](#). The grounds for a halt under NASDAQ Rule 4120 include a halt by the primary market because the Indicative Value of the Notes and/or the value of the Index are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ will stop trading the Notes if the primary market de-lists them.

Delivery of a Prospectus

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

Prospectuses may be obtained through the Notes' website at www.ipathetn.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 Notes, please refer to the registration statement.

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, NASDAQ also advises interested members to consult the Letter for more complete information regarding the trading practices relief granted by the SEC. In addition, NASDAQ has taken an interpretive position with respect to its short sale rule.

Short Sale Rules

Transactions in the Notes 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 Notes, 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, 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 Bulletin is not a statutory prospectus. NASDAQ members should visit the Notes' website at www.ipathetn.com and consult the Notes' Registration Statement (No. 333-126811) and the prospectus 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