

May 4, 2000

BY HAND

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: SEC File Nos. 812-11600 & 812-11598

Dear Mr. Katz:

On behalf of Fund Democracy, LLC, I hereby request a hearing on the applications filed by Barclays Global Fund Advisers, iShares Trust, future series of the Trust, and SEI Investments Distribution Company (collectively, "Applicants"), on May 2, 2000, SEC file nos. 812-11600 and 812-11598.¹

Reason for the Hearing Request

Applicants request relief under Section 6(c) of the Investment Company Act of 1940 ("Act") from Sections 5(a)(1) and 2(a)(32) of the Act, and Rule 22c-1 under the Act. Applicants' request is not necessary or appropriate in the public interest, consistent with the protection of investors, or consistent with the purposes fairly intended by the policy and provisions of the Act.

Applicants' proposal to permit the sale of exchange-traded funds ("ETFs") creates a substantial risk that investors will be misled about the nature of ETFs. Specifically, investors may be misled regarding whether shares of ETFs can be redeemed at net asset value. This risk is created by statements by the American Stock Exchange, the financial press, and financial data providers that (1) the likelihood that exchange-traded funds ("ETFs") such as iShares Trust will not trade at net asset value, i.e., at discounts or premiums, is minimal or nonexistent, and that (2) ETFs are equivalent to mutual funds, which, unlike ETFs, are legally required to redeem their shares at net asset value.

¹ Fund Democracy, LLC also reserves the right, if this request is not granted, to challenge the Commission's compliance with applicable notice requirements. The Commission requires that a hearing request state the reasons for the request and the issues contested. In order to prepare a hearing request, it therefore is necessary to review the application on the basis of which the Commission proposes to issue an order. The applications were not filed, however, until May 2, three days before the expiration of the notice period. The Commission therefore did not provide sufficient notice for interested persons to request a hearing.

Issues Contested

I request a hearing on these applications to determine whether:

- Wide-spread confusion surrounding the correlation of ETF market prices and per share net asset values, and the classification of ETFs as mutual funds or closed-end funds, necessitates additional measures to ensure that investors are fully informed about the nature of ETFs and the risk that shares may trade at discounts or premiums to their net asset values.
- The fact that ETFs often trade at discounts or premiums necessitates that Applicants provide, at no charge at an easily accessible location: (1) intraday ETF per share net asset values, (2) intraday ETF premiums and discounts, and (3) charts showing the largest discrepancy between ETF market prices and ETF per share net asset values for each calendar quarter for the preceding five years.
- To require ETFs to include in their prospectuses, reports and financial statements the same performance and financial information required to be provided by closed-end funds (i.e., a table showing one-, five-, and ten-year results based on market price and per share net asset value, and for a comparable index; and financial statements showing end-of-year per share net asset values, market prices, and discounts/premiums).
- To require ETFs to include in their prospectuses and annual reports charts showing the largest discrepancy between market prices and per share net asset values for each calendar quarter for the preceding five years.

Statement of Interest

Fund Democracy, LLC is a Maryland limited liability company formed on January 27, 2000. Its purpose, as stated in its Articles of Organization, is to “serve as an information resource for shareholders of mutual funds and an advocate for such shareholders’ rights and interests.”

Fund Democracy has written a number of articles identifying mutual fund practices, policies and rules that are detrimental to the interests of mutual fund shareholders. See, e.g., Heads in the Sand, Barron’s at F32 (Apr 10, 2000). Fund Democracy also is developing a Web site to provide a forum for mutual fund shareholder advocacy and activism. In addition, Fund Democracy will advocate mutual fund shareholder interests by submitting comment letters on rule proposals, requesting hearings on exemptive applications, lobbying federal and state legislators, submitting rulemaking petitions, filing briefs amicus curiae, and participating in selected litigation.

FUND DEMOCRACY, LLC

Please find enclosed a Memorandum in Support of Hearing Request and proof of service upon applicants in the form of an affidavit.

Sincerely,

Mercer E. Bullard
President & CEO

cc: The Honorable Arthur Levitt
The Honorable Isaac C. Hunt, Jr.
The Honorable Norman S. Johnson
The Honorable Paul R. Carey
The Honorable Laura S. Unger
Paul F. Roye, Esq.

Enclosures