



SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78666; File No. SR-BatsBZX-2016-48)

August 24, 2016

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Rule 14.11(c)(4) to List and Trade Shares of the iShares iBonds Dec 2023 Term Muni Bond ETF and iShares iBonds Dec 2024 Term Muni Bond ETF of the iShares U.S. ETF Trust

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 9, 2016, Bats BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to list and trade under BZX Rule 14.11(c)(4) shares of the iShares iBonds Dec 2023 Term Muni Bond ETF and iShares iBonds Dec 2024 Term Muni Bond ETF (each a “Fund” or, collectively, the “Funds”) of the iShares U.S. ETF Trust (the “Trust”). The shares of the Funds are referred to herein as the “Shares.”

The text of the proposed rule change is available at the Exchange’s website at www.batstrading.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade the Shares of the following series of the Trust under BZX Rule 14.11(c)(4),³ which governs the listing and trading of index fund shares based on fixed income securities indexes.⁴ The Shares will be offered by the Trust, which was

³ The Commission approved BZX Rule 14.11(c) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

⁴ The Commission previously has approved a proposed rule change relating to listing and trading of funds based on municipal bond indexes. See Securities Exchange Act Release Nos. 78329 (July 14, 2016), 81 FR 47217 (July 20, 2016) (SR-BatsBZX-2016-01) (order approving proposed rule change relating to the listing and trading of VanEck Vectors AMT-Free 6-8 Year Municipal Index ETF, VanEck Vectors AMT-Free 8-12 Year Municipal Index ETF, and VanEck Vectors AMT-Free 12-17 Year Municipal Index ETF); 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca, Inc. (“NYSE Arca”) Rule 5.2(j)(3), Commentary .02); 72523 (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Rule 5.2(j)(3), Commentary .02); and 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Rule 5.2(j)(3), Commentary .02). The Commission also has issued a notice of filing and immediate effectiveness of a proposed rule change relating to listing and trading on the Exchange of the iShares Taxable Municipal Bond Fund. See Securities Exchange Act Release No. 63176 (October 25, 2010), 75 FR 66815 (October 29, 2010) (SR-NYSEArca-2010-94). The Commission has approved two actively managed funds of the PIMCO ETF Trust that hold municipal bonds. See Securities Exchange Act Release No. 60981 (November 10, 2009), 74 FR 59594 (November 18,

established as a Delaware statutory trust on March 15, 2001. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Funds on Form N-1A (“Registration Statement”) with the Commission.⁵ All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange.

Description of the Shares and the Funds

BlackRock Fund Advisors is the investment adviser (“BFA” or “Adviser”) to the Funds.⁶ State Street Bank and Trust Company is the administrator, custodian, and transfer agent (“Administrator,” “Custodian,” and “Transfer Agent,” respectively) for the Trust. BlackRock Investments, LLC serves as the distributor (“Distributor”) for the Trust.

iShares iBonds Dec 2023 Term Muni Bond ETF

According to the Registration Statement, the Fund will seek to replicate as closely as possible, before fees and expenses, the price and yield performance of the S&P AMT-Free

2009) (SR-NYSEArca-2009-79) (order approving listing and trading of PIMCO ShortTerm Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund, among others). The Commission also has approved listing and trading on the Exchange of the SPDR Nuveen S&P High Yield Municipal Bond Fund. See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

⁵ See Registration Statement on Form N-1A for the Trust, dated October 29, 2015 (File Nos. 333-123257 and 811-10325). The descriptions of the Funds and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 28021 (October 24, 2007) (File No. 812-13426).

⁶ BFA is an indirect wholly owned subsidiary of BlackRock, Inc.

Municipal Series Dec 2023 Index (the “2023 Index”). As of July 18, 2016, there were 4,612 issues in the 2023 Index. Unless otherwise noted, all statistics related to the 2023 Index presented hereafter were accurate as of July 18, 2016.

To be included in the 2023 Index, a bond must have a rating of at least BBB- by S&P, Baa3 by Moody’s, or BBB- by Fitch (except in the case of a pre-refunded/ escrowed to maturity bond). A bond must be rated by at least one of the three rating agencies in order to qualify for index inclusion. For the avoidance of doubt, the lowest rating is used in determining if a bond is investment grade. Potential constituents must have an outstanding par value of at least \$2 million. The bonds will have a maturity range of January 1, 2023 to December 1, 2023. The following types of bonds are excluded from the 2023 Index: bonds subject to the alternative minimum tax, bonds with early redemption dates (callable provisions), bonds with sinking fund provisions, commercial paper, conduit bonds where the obligor is a for-profit institution, derivative securities, non-rated bonds (except pre-refunded/escrowed to maturity bonds), notes, taxable municipals, tobacco bonds, and variable rate debt (except for known step-up/down coupon schedule bonds). The 2023 Index is calculated using a market value weighting methodology. The composition of the 2023 Index is rebalanced monthly.

The Fund generally invests at least 90% of its assets in the component securities of the Fund’s benchmark index, except during the last months of the Fund’s operations. From time to time when conditions warrant, however, the Fund may invest at least 80% of its assets in the component securities of the Fund’s benchmark index. The 2023 Index measures the performance of the non-callable investment-grade, tax-exempt U.S. municipal bonds with specific annual maturities (“Municipal Securities”). The Fund has adopted a non-fundamental investment policy to invest at least 80% of its net assets, plus the amount of any borrowings for

investment purposes, in securities in the Fund's benchmark index. This policy may be changed without shareholder approval upon 60 days' prior written notice to shareholders.⁷ Municipal Securities are fixed and variable rate securities issued in the U.S. by U.S. states and territories, municipalities and other political subdivisions, agencies, authorities, and instrumentalities of states and multi-state agencies and authorities and will include only the following instruments: general obligation bonds,⁸ limited obligation bonds (or revenue bonds),⁹ municipal notes,¹⁰

⁷ As noted herein, each Fund's policy to invest 80% of its total assets in securities that comprise the Fund's benchmark index (the "80% Investment Policy") is non-fundamental and may be changed without shareholder approval upon 60 days' prior written notice to shareholders. The Exchange notes that, notwithstanding the foregoing, all statements and representations made in this filing regarding (a) the description of the portfolios, (b) limitations on portfolio holdings or reference assets (including, for example, each Fund's 80% Investment Policy), or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange. As noted below, the issuer has represented to the Exchange that it will advise the Exchange of any failure by a Fund to comply with the continued listing requirements (or any changes made with respect to a Fund's 80% Investment Policy), and, pursuant to its obligations under Section 19(g)(1) of the Exchange Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

⁸ General obligation bonds are obligations involving the credit of an issuer possessing taxing power and are payable from such issuer's general revenues and not from any particular source.

⁹ Limited obligation bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source, and also include industrial development bonds issued pursuant to former U.S. federal tax law. Industrial development bonds generally are also revenue bonds and thus are not payable from the issuer's general revenues. The credit and quality of industrial development bonds are usually related to the credit of the corporate user of the facilities. Payment of interest on and repayment of principal of such bonds is the responsibility of the corporate user (and/or any guarantor).

¹⁰ Municipal notes are shorter-term municipal debt obligations that may provide interim financing in anticipation of tax collection, receipt of grants, bond sales, or revenue receipts.

municipal commercial paper,¹¹ tender option bonds,¹² variable rate demand obligations (“VRDOs”),¹³ municipal lease obligations,¹⁴ stripped securities,¹⁵ structured securities,¹⁶ and zero coupon securities.¹⁷

In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of money market funds advised by BFA or its affiliates (“BlackRock Cash Funds”), AMT-free tax-exempt municipal notes, variable rate demand notes and

¹¹ Municipal commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

¹² Tender option bonds are synthetic floating-rate or variable-rate securities issued when long-term bonds are purchased in the primary or secondary market and then deposited into a trust. Custodial receipts are then issued to investors, such as the Fund, evidencing ownership interests in the trust.

¹³ VRDOs are tax-exempt obligations that contain a floating or variable interest rate adjustment formula and a right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest upon a short notice period not to exceed seven days.

¹⁴ Municipal lease obligations include certificates of participation issued by government authorities or entities to finance the acquisition or construction of equipment, land, and/or facilities.

¹⁵ Stripped securities are created when an issuer separates the interest and principal components of an instrument and sells them as separate securities. In general, one security is entitled to receive the interest payments on the underlying assets and the other to receive the principal payments.

¹⁶ Structured securities are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of an underlying investment, index, or reference obligation, and may be issued by governmental agencies. While structured securities are part of the principal holdings of the Fund, the Issuer represents that such securities, when combined with those instruments held as part of the other portfolio holdings described below, will not exceed 20% of the Fund’s net assets.

¹⁷ Zero coupon securities are securities that are sold at a discount to par value and do not pay interest during the life of the security. The discount approximates the total amount of interest the security will accrue and compound over the period until maturity at a rate of interest reflecting the market rate of the security at the time of issuance. Upon maturity, the holder of a zero coupon security is entitled to receive the par value of the security.

obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the Underlying Index. By December 2, 2023, the Underlying Index is expected to consist entirely of cash earned in this manner. Around the same time, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Fund intends to qualify for and to elect treatment as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may also, to a limited extent (under normal circumstances, less than 20% of the Fund’s net assets), engage in transactions in futures contracts, options, or swaps in order to facilitate trading or to reduce transaction costs.¹⁸ The Fund’s investments will be consistent with its investment objective and will not be used to achieve leveraged returns (i.e. two times or three times the Fund’s benchmark, as described in the Registration Statement).

The Fund may also enter into repurchase and reverse repurchase agreements for Municipal Securities (collectively, “Repurchase Agreements”). Repurchase Agreements involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing as part of the Fund’s principal

¹⁸ Derivatives might be included in the Fund’s investments to serve the investment objectives of the Fund. Such derivatives include only the following: interest rate futures, interest rate options, interest rate swaps, and swaps on Municipal Securities indexes. The derivatives will be centrally cleared and they will be collateralized. Derivatives are not a principal investment strategy of the Fund.

holdings.¹⁹

The Fund may also invest in short-term instruments (“Short-Term Instruments”),²⁰ which include exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in money market instruments.

Index Overview

The Exchange is submitting this proposed rule change because the 2023 Index for the Fund does not meet all of the “generic” listing requirements of Rule 14.11(c)(4) applicable to the listing of index fund shares based on fixed income securities indexes. The 2023 Index meets all

¹⁹ The Fund’s exposure to reverse repurchase agreements will be covered by liquid assets having a value equal to or greater than such commitments. The use of reverse repurchase agreements is a form of leverage because the proceeds derived from reverse repurchase agreements may be invested in additional securities. As further stated below, the Fund’s investments will be consistent with its investment objective and will not be used to achieve leveraged returns.

²⁰ The Fund may invest in Short-Term Instruments, including money market instruments, on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that include only the following: (i) shares of money market funds (including those advised by BFA or otherwise affiliated with BFA); (ii) obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit (“CDs”), bankers’ acceptances, fixed-time deposits and other obligations of U.S. and non-U.S. banks (including non-U.S. branches) and similar institutions; (iv) commercial paper, including asset-backed commercial paper; (v) non-convertible corporate debt securities (e.g., bonds and debentures) with remaining maturities at the date of purchase of not more than 397 days and that satisfy the rating requirements set forth in Rule 2a-7 under the 1940 Act; and (vi) short-term U.S. dollar-denominated obligations of non-U.S. banks (including U.S. branches) that, in the opinion of BFA, are of comparable quality to obligations of U.S. banks which may be purchased by the Fund. All money market securities acquired by the Fund will be rated investment grade. The Fund does not intend to invest in any unrated money market securities. However, it may do so, to a limited extent, such as where a rated money market security becomes unrated, if such money market security is determined by the Adviser to be of comparable quality. BFA may determine that unrated securities are of comparable quality based on such credit quality factors that it deems appropriate, which may include, among other things, performing an analysis similar, to the extent possible, to that performed by a nationally recognized statistical rating organization rating similar securities and issuers.

such requirements except for those set forth in Rule 14.11(c)(4)(B)(i)(b).²¹ Specifically, as of July 18, 2016, 5.83% of the weight of the 2023 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of July 18, 2016, 73.56% of the weight of the 2023 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding \$100 million or more for all maturities of the offering. In addition, the total face amount outstanding of issues in the 2023 Index was approximately \$38.5 billion, the market value was \$46.4 billion, and the average dollar amount outstanding of issues in the 2023 Index was approximately \$8.3 million. Further, the most heavily weighted component represented 1.61% of the weight of the 2023 Index and the five most heavily weighted components represented 3.66% of the weight of the 2023 Index.²² Therefore, the Exchange believes that, notwithstanding that the 2023 Index does not satisfy the criterion in Rule 14.11(c)(4)(B)(i)(b), the 2023 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 4,612 issues. In addition, the 2023 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (73.56%) of the 2023 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount

²¹ Rule 14.11(c)(4)(B)(i)(b) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

²² Rule 14.11(c)(4)(B)(i)(d) provides that no component fixed-income security (excluding Treasury Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

outstanding and the average dollar amount outstanding of the 2023 Index issues, as referenced above.²³ 48% of the 2023 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2023 Index value, calculated and disseminated at least once daily, as well as the components of the 2023 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at www.iShares.com.

iShares iBonds Dec 2024 Term Muni Bond ETF

According to the Registration Statement, the Fund will seek to replicate as closely as possible, before fees and expenses, the price and yield performance of the S&P AMT-Free Municipal Series Dec 2024 Index (the "2024 Index"). As of July 18, 2016, there were 3,624 issues in the 2024 Index. Unless otherwise noted, all statistics related to the 2024 Index presented hereafter were accurate as of July 18, 2016.

To be included in the 2024 Index, a bond must have a rating of at least BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch (except in the case of a pre-refunded/ escrowed to maturity bond). A bond must be rated by at least one of the three rating agencies in order to qualify for index inclusion. For the avoidance of doubt, the lowest rating is used in determining if a bond is investment grade. Potential constituents must have an outstanding par value of at least \$2 million. The bonds will have a maturity range of January 1, 2024 to December 1, 2024. The following types of bonds are excluded from the 2024 Index: bonds subject to the alternative minimum tax, bonds with early redemption dates (callable provisions), bonds with sinking fund provisions, commercial paper, conduit bonds where the obligor is a for-profit institution,

²³ The Adviser represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid.

derivative securities, non-rated bonds (except pre-refunded/escrowed to maturity bonds), notes, taxable municipals, tobacco bonds, and variable rate debt (except for known step-up/down coupon schedule bonds). The 2024 Index is calculated using a market value weighting methodology. The composition of the 2024 Index is rebalanced monthly.

The Fund generally invests at least 90% of its assets in the component securities of the Fund's benchmark index, except during the last months of the Fund's operations. From time to time when conditions warrant, however, the Fund may invest at least 80% of its assets in the component securities of the Fund's benchmark index. The 2024 Index measures the performance of the non-callable investment-grade, tax-exempt U.S. municipal bonds with specific annual maturities ("Municipal Securities"). The Fund has adopted a non-fundamental investment policy to invest at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities in the Fund's benchmark index. This policy may be changed without shareholder approval upon 60 days' prior written notice to shareholders.²⁴ Municipal Securities are fixed and variable rate securities issued in the U.S. by U.S. states and territories, municipalities and other political subdivisions, agencies, authorities, and instrumentalities of

²⁴ As noted herein, each Fund's policy to invest 80% of its total assets in securities that comprise the Fund's benchmark index (the "80% Investment Policy") is non-fundamental and may be changed without shareholder approval upon 60 days' prior written notice to shareholders. The Exchange notes that, notwithstanding the foregoing, all statements and representations made in this filing regarding (a) the description of the portfolios, (b) limitations on portfolio holdings or reference assets (including, for example, each Fund's 80% Investment Policy), or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange. As noted below, the issuer has represented to the Exchange that it will advise the Exchange of any failure by a Fund to comply with the continued listing requirements (or any changes made with respect to a Fund's 80% Investment Policy), and, pursuant to its obligations under Section 19(g)(1) of the Exchange Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12.

states and multi-state agencies and authorities and will include only the following instruments: general obligation bonds,²⁵ limited obligation bonds (or revenue bonds),²⁶ municipal notes,²⁷ municipal commercial paper,²⁸ tender option bonds,²⁹ variable rate demand obligations (“VRDOs”),³⁰ municipal lease obligations,³¹ stripped securities,³² structured securities,³³ and zero coupon securities.³⁴

²⁵ General obligation bonds are obligations involving the credit of an issuer possessing taxing power and are payable from such issuer’s general revenues and not from any particular source.

²⁶ Limited obligation bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source, and also include industrial development bonds issued pursuant to former U.S. federal tax law. Industrial development bonds generally are also revenue bonds and thus are not payable from the issuer’s general revenues. The credit and quality of industrial development bonds are usually related to the credit of the corporate user of the facilities. Payment of interest on and repayment of principal of such bonds is the responsibility of the corporate user (and/or any guarantor).

²⁷ Municipal notes are shorter-term municipal debt obligations that may provide interim financing in anticipation of tax collection, receipt of grants, bond sales, or revenue receipts.

²⁸ Municipal commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

²⁹ Tender option bonds are synthetic floating-rate or variable-rate securities issued when long-term bonds are purchased in the primary or secondary market and then deposited into a trust. Custodial receipts are then issued to investors, such as the Fund, evidencing ownership interests in the trust.

³⁰ VRDOs are tax-exempt obligations that contain a floating or variable interest rate adjustment formula and a right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest upon a short notice period not to exceed seven days.

³¹ Municipal lease obligations include certificates of participation issued by government authorities or entities to finance the acquisition or construction of equipment, land, and/or facilities.

³² Stripped securities are created when an issuer separates the interest and principal components of an instrument and sells them as separate securities. In general, one security is entitled to receive the interest payments on the underlying assets and the other to receive the principal payments.

In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of BlackRock Cash Funds, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the Underlying Index. By December 2, 2023, the Underlying Index is expected to consist entirely of cash earned in this manner. Around the same time, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Fund intends to qualify for and to elect treatment as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may also, to a limited extent (under normal circumstances, less than 20% of the Fund's net assets), engage in transactions in futures contracts, options, or swaps in order to

³³ Structured securities are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of an underlying investment, index, or reference obligation, and may be issued by governmental agencies. While structured securities are part of the principal holdings of the Fund, the Issuer represents that such securities, when combined with those instruments held as part of the other portfolio holdings described below, will not exceed 20% of the Fund's net assets.

³⁴ Zero coupon securities are securities that are sold at a discount to par value and do not pay interest during the life of the security. The discount approximates the total amount of interest the security will accrue and compound over the period until maturity at a rate of interest reflecting the market rate of the security at the time of issuance. Upon maturity, the holder of a zero coupon security is entitled to receive the par value of the security.

facilitate trading or to reduce transaction costs.³⁵ The Fund's investments will be consistent with its investment objective and will not be used to achieve leveraged returns (i.e. two times or three times the Fund's benchmark, as described in the Registration Statement).

The Fund may also enter into repurchase and reverse repurchase agreements for Municipal Securities (collectively, "Repurchase Agreements"). Repurchase Agreements involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing as part of the Fund's principal holdings.³⁶

The Fund may also invest in short-term instruments ("Short-Term Instruments"),³⁷ which include exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in money market instruments.

³⁵ Derivatives might be included in the Fund's investments to serve the investment objectives of the Fund. Such derivatives include only the following: interest rate futures, interest rate options, interest rate swaps, and swaps on Municipal Securities indexes. The derivatives will be centrally cleared and they will be collateralized. Derivatives are not a principal investment strategy of the Fund.

³⁶ The Fund's exposure to reverse repurchase agreements will be covered by liquid assets having a value equal to or greater than such commitments. The use of reverse repurchase agreements is a form of leverage because the proceeds derived from reverse repurchase agreements may be invested in additional securities. As further stated below, the Fund's investments will be consistent with its investment objective and will not be used to achieve leveraged returns.

³⁷ The Fund may invest in Short-Term Instruments, including money market instruments, on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that include only the following: (i) shares of money market funds (including those advised by BFA or otherwise affiliated with BFA); (ii) obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities (including government-sponsored enterprises); (iii) negotiable certificates of deposit ("CDs"), bankers' acceptances, fixed-time deposits and other obligations of U.S. and non-U.S. banks (including non-U.S. branches) and similar institutions; (iv) commercial paper, including asset-backed commercial paper; (v) non-convertible corporate debt securities (e.g., bonds and debentures) with remaining maturities at the date of purchase of not more than 397 days and that satisfy the rating requirements set forth in Rule 2a-7

Index Overview

The Exchange is submitting this proposed rule change because the 2024 Index for the Fund does not meet all of the “generic” listing requirements of Rule 14.11(c)(4) applicable to the listing of index fund shares based on fixed income securities indexes. The 2024 Index meets all such requirements except for those set forth in Rule 14.11(c)(4)(B)(i)(b).³⁸ Specifically, as of July 18, 2016, 5.72% of the weight of the 2024 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of July 18, 2016, 72.27% of the weight of the 2024 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding \$100 million or more for all maturities of the offering. In addition, the total face amount outstanding of issues in the 2024 Index was approximately \$29.9 billion, the market value is \$36.4 billion, and the average dollar amount outstanding of issues in the 2024 Index was approximately \$8.3 million. Further, the most heavily weighted component represented 0.72% of the weight of the 2024 Index and the five most heavily weighted

under the 1940 Act; and (vi) short-term U.S. dollar-denominated obligations of non-U.S. banks (including U.S. branches) that, in the opinion of BFA, are of comparable quality to obligations of U.S. banks which may be purchased by the Fund. All money market securities acquired by the Fund will be rated investment grade. The Fund does not intend to invest in any unrated money market securities. However, it may do so, to a limited extent, such as where a rated money market security becomes unrated, if such money market security is determined by the Adviser to be of comparable quality. BFA may determine that unrated securities are of comparable quality based on such credit quality factors that it deems appropriate, which may include, among other things, performing an analysis similar, to the extent possible, to that performed by a nationally recognized statistical rating organization rating similar securities and issuers.

³⁸ Rule 14.11(c)(4)(B)(i)(b) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

components represented 2.74% of the weight of the 2024 Index.³⁹ Therefore, the Exchange believes that, notwithstanding that the 2024 Index does not satisfy the criterion in Rule 14.11(c)(4)(B)(i)(b), the 2024 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3,624 issues. In addition, the 2024 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72.27%) of the 2024 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of the 2024 Index issues, as referenced above.⁴⁰ 47.71% of the 2024 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2024 Index value, calculated and disseminated at least once daily, as well as the components of the 2024 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at www.iShares.com.

Correlation Among Municipal Bond Instruments with Common Characteristics

With respect to the Funds, the Adviser represents that the nature of the municipal bond market and municipal bond instruments makes it feasible to categorize individual issues represented by CUSIPs (i.e., the specific identifying number for a security) into categories

³⁹ Rule 14.11(c)(4)(B)(i)(d) provides that no component fixed-income security (excluding Treasury Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

⁴⁰ The Adviser represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid.

according to common characteristics, specifically, rating, geographical region, purpose, and maturity. Bonds that share similar characteristics tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective, allowing one CUSIP to be represented by another that shares similar characteristics for purposes of developing an investment strategy. Therefore, while 5.83% of the weight of the 2023 Index and 5.72% of the 2024 Index components have a minimum original principal amount outstanding of \$100 million or more, the nature of the municipal bond market makes the issues relatively fungible for investment purposes when aggregated into categories such as ratings, geographical region, purpose and maturity. In addition, within a single municipal bond issuer, there are often multiple contemporaneous or sequential issuances that have the same rating, structure and maturity, but have different CUSIPs; these separate issues by the same issuer are also likely to trade similarly to one another.

The Adviser represents that the Funds are managed utilizing the principle that municipal bond issues are generally fungible in nature when sharing common characteristics, and specifically make use of the four categories referred to above. In addition, this principle is used in, and consistent with, the portfolio construction process in order to facilitate the creation and redemption process, and to enhance liquidity (among other benefits, such as reducing transaction costs), while still allowing each Fund to closely track its reference index.

Net Asset Value

According to the Registration Statement, the net asset value (“NAV”) of each Fund will be determined each business day as of the close of trading (ordinarily 4:00 p.m. Eastern time) on the Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are

converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The values of each Fund's portfolio securities are based on the securities' closing prices, when available. In the absence of a last reported sales price, or if no sales were reported, and for other assets for which market quotes are not readily available, values may be based on quotes obtained from a quotation reporting system, established market makers or by an outside independent pricing service. Municipal Securities, repurchase agreements, reverse repurchase agreements, and money market instruments with maturities of more than 60 days are normally valued on the basis of quotes from brokers or dealers, established market makers or an outside independent pricing service. Prices obtained by an outside independent pricing service may use information provided by market makers or estimates of market values obtained from yield data related to investments or securities with similar characteristics and may use a computerized grid matrix of securities and its evaluations in determining what it believes is the fair value of the portfolio securities. Short-term investments, including money market instruments having a maturity of 60 days or less, are valued at amortized cost. Futures contracts will be valued at the settlement price established each day by the board or exchange on which they are traded. Exchange-traded options will be valued at the closing price in the market where such contracts are principally traded. Swaps will be valued based on valuations provided by independent, third-party pricing agents. Securities of non-exchange-traded investment companies will be valued at NAV. Exchange-traded investment companies will be valued at the last reported sale price on the primary exchange on which they are traded.

Creation and Redemption of Shares

The NAV of the Funds will be determined each business day as of the close of trading, (normally 4:00 p.m. Eastern time) on the exchange. The Funds currently anticipate that a “Creation Unit” will consist of 50,000 Shares, though this number may change from time to time, including prior to the listing of a Fund. The exact number of Shares that will comprise a Creation Unit will be disclosed in the Registration Statement of each Fund. The Trust will issue and sell Shares of the Funds only in Creation Units on a continuous basis through the Distributor, without an initial sales load (but subject to transaction fees), at their NAV per Share next determined after receipt, on any business day, of an order in proper form.

The consideration for purchase of a Creation Unit of a Fund generally will consist of either (i) the in-kind deposit of a designated portfolio of fixed income securities (the “Deposit Securities”) per each Creation Unit and the Cash Component (defined below), computed as described below, or (ii) as permitted or required by the Funds, of cash. The Cash Component together with the Deposit Securities, as applicable, are referred to as the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for Shares. The Cash Component represents the difference between the NAV of a Creation Unit and the market value of Deposit Securities and may include a Dividend Equivalent Payment. The “Dividend Equivalent Payment” enables the Funds to make a complete distribution of dividends on the next dividend payment date, and is an amount equal, on a per Creation Unit basis, to the dividends on all the securities held by each of the Funds (“Fund Securities”) with ex-dividend dates within the accumulation period for such distribution (the “Accumulation Period”), net of expenses and liabilities for such period, as if all of the Fund Securities had been held by the Trust for the entire

Accumulation Period. The Accumulation Period begins on the ex-dividend date for each Fund and ends on the next ex-dividend date.

The Administrator, through the National Securities Clearing Corporation (“NSCC”), makes available on each business day, immediately prior to the opening of business on the Exchange (currently 9:30 a.m. Eastern time), the list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous business day) as well as the Cash Component for each Fund. Such Fund Deposit is applicable, subject to any adjustments as described below, in order to effect creations of Creation Units of each Fund until such time as the next-announced Fund Deposit composition is made available.

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor,⁴¹ only on a business day and only through a Participating Party or DTC Participant who has executed a Participation Agreement.

The Administrator, through NSCC, makes available immediately prior to the opening of business on the Exchange (currently 9:30 a.m. Eastern time) on each day that the Exchange is

⁴¹ To be eligible to place orders with the Distributor to create Creation Units of the Funds, an entity or person either must be: (1) a “Participating Party,” *i.e.*, a broker-dealer or other participant in the Clearing Process through the Continuous Net Settlement System of the NSCC; or (2) a DTC Participant (as defined below); and, in either case, must have executed an agreement with the Distributor and the Transfer Agent (as it may be amended from time to time in accordance with its terms) (“Participant Agreement”). DTC Participants are participants of the Depository Trust Company (“DTC”) that acts as securities depository for Index Fund Shares. A Participating Party and DTC Participant are collectively referred to as an “Authorized Participant.”

open for business, the Fund Securities that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form (as defined below) on that day.

Unless cash redemptions are permitted or required for the Fund, the redemption proceeds for a Creation Unit generally consist of Fund Securities as announced by the Administrator on the business day of the request for redemption, plus cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities, less the redemption transaction fee and variable fees described below. Should the Fund Securities have a value greater than the NAV of the Shares being redeemed, a compensating cash payment to the Trust equal to the differential plus the applicable redemption transaction fee will be required to be arranged for by or on behalf of the redeeming shareholder. Each Fund reserves the right to honor a redemption request by delivering a basket of securities or cash that differs from the Fund Securities.⁴²

Orders to redeem Creation Units of the Funds must be delivered through a DTC Participant that has executed the Participant Agreement with the Distributor and with the Trust. A DTC Participant who wishes to place an order for redemption of Creation Units of a Fund to be effected need not be a Participating Party, but such orders must state that redemption of Creation Units of the Fund will instead be effected through transfer of Creation Units of the Fund directly through DTC. An order to redeem Creation Units of a Fund is deemed received by the Administrator on the transmittal date if (i) such order is received by the Administrator not later than 4:00 p.m. Eastern time on such transmittal date; (ii) such order is preceded or accompanied by the requisite number of Shares of Creation Units specified in such order, which delivery must

⁴² The Adviser represents that, to the extent that the Trust permits or requires a “cash in lieu” amount, such transactions will be effected in the same or equitable manner for all Authorized Participants.

be made through DTC to the Administrator no later than 11:00 a.m. Eastern time, on such transmittal date (the “DTC Cut-Off-Time”); and (iii) all other procedures set forth in the Participant Agreement are properly followed.

After the Administrator has deemed an order for redemption received, the Administrator will initiate procedures to transfer the requisite Fund Securities (or contracts to purchase such Fund Securities) which are expected to be delivered within three business days and the cash redemption payment to the redeeming beneficial owner by the third business day following the transmittal date on which such redemption order is deemed received by the Administrator.

Availability of Information

Each Fund’s website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Fund that may be downloaded. The website will include additional quantitative information updated on a daily basis, including, for the Fund: (1) the prior business day’s reported NAV, daily trading volume, and a calculation of the premium and discount of the Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Daily trading volume information for the Funds will also be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites. On each business day, before commencement of trading in Shares during Regular Trading Hours⁴³ on the Exchange, each Fund will disclose on its website the identities and quantities of the portfolio of

⁴³ Regular Trading Hours are 9:30 a.m. to 4:00 p.m. Eastern Time.

securities and other assets in the daily disclosed portfolio held by the Funds that formed the basis for each Fund's calculation of NAV at the end of the previous business day. The daily disclosed portfolio will include, as applicable: the ticker symbol; CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security, index or other asset or instrument underlying the holding, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts, or units); maturity date, if any; coupon rate, if any; effective date, if any; market value of the holding; and the percentage weighting of the holding in each Fund's portfolio. The website and information will be publicly available at no charge. The value, components, and percentage weightings of each of the Indices will be calculated and disseminated at least once daily and will be available from major market data vendors. Rules governing the Indices are available on Barclays' website and in each respective Fund's prospectus.

In addition, for each Fund, an estimated value, defined in BZX Rule 14.11(c)(6)(A) as the "Intraday Indicative Value," that reflects an estimated intraday value of each Fund's portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the daily disclosed portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Regular Trading Hours.⁴⁴ In addition, the quotations of certain of each Fund's holdings may not be updated during U.S. trading hours if updated prices cannot be ascertained.

⁴⁴ Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association ("CTA") or other data feeds.

The dissemination of the Intraday Indicative Value, together with the daily disclosed portfolio, will allow investors to determine the value of the underlying portfolio of the Funds on a daily basis and provide a close estimate of that value throughout the trading day.

Quotation and last sale information for the Shares of each Fund will be available via the CTA high speed line. Quotation information for investment company securities (excluding ETFs) may be obtained through nationally recognized pricing services through subscription agreements or from brokers and dealers who make markets in such securities. Price information regarding Municipal Securities and non-exchange traded assets, including investment companies, derivatives, money market instruments, repurchase agreements, and reverse repurchase agreements is available from third party pricing services and major market data vendors. For exchange-traded assets, including investment companies, futures, and options, such intraday information is available directly from the applicable listing exchange.

Initial and Continued Listing

The Shares of each Fund will conform to the initial and continued listing criteria under BZX Rule 14.11(c)(4), except for those set forth in 14.11(c)(4)(B)(i)(b). The Exchange represents that, for initial and/or continued listing, the Funds and the Trust must be in compliance with Rule 10A-3 under the Act.⁴⁵ A minimum of 50,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share for each Fund will be calculated daily and will be made available to all market participants at the same time.

⁴⁵ See 17 CFR 240.10A-3.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. The Exchange will halt trading in the Shares under the conditions specified in BZX Rule 11.18. Trading may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments composing the daily disclosed portfolio of the Funds; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(c)(1)(B)(iv), which sets forth circumstances under which Shares of a Fund may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Exchange will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time and has the appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BZX Rule 11.11(a), the minimum price variation for quoting and entry of orders in securities traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00, for which the minimum price variation for order entry is \$0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative

products, including Index Fund Shares. The issuer has represented to the Exchange that it will advise the Exchange of any failure by the Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Exchange Act, the Exchange will surveil for compliance with the continued listing requirements. If the Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Exchange Rule 14.12. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange traded equity securities via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement.⁴⁶ In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). FINRA also can access data obtained from the Municipal Securities Rulemaking Board ("MSRB") relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. In addition, the Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange-traded investment companies, futures, and options from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Exchange prohibits the distribution of material non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an

⁴⁶ For a list of the current members of ISG, see www.isgportal.org. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BZX Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening⁴⁷ and After Hours Trading Sessions⁴⁸ when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Funds. Members purchasing Shares from the Funds for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that each Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of the Funds and the applicable NAV calculation time for the Shares. The Information Circular will disclose that information about the Shares of the Funds will be publicly available on the Funds' website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in each Fund's

⁴⁷ The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

⁴⁸ The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

Registration Statement.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act⁴⁹ in general and Section 6(b)(5) of the Act⁵⁰ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the listing criteria in BZX Rule 14.11(c). The Exchange believes that its surveillances, which generally focus on detecting securities trading outside of their normal patterns which could be indicative of manipulative or other violative activity, and associated surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. The Exchange will communicate as needed regarding trading in the Shares with other markets or other entities that are members of the Intermarket Surveillance group (“ISG”), and may obtain trading information regarding trading in the Shares from such markets or entities. The Exchange can also access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. The Exchange is able to access, as needed,

⁴⁹ 15 U.S.C. 78f.

⁵⁰ 15 U.S.C. 78f(b)(5).

trade information for certain fixed income securities held by a Fund reported to FINRA's TRACE. FINRA also can access data obtained from the Municipal Securities Rulemaking Board ("MSRB") relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. In addition, the Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange-traded investment companies, futures, and options from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Index Provider is not a broker-dealer, but is affiliated with a broker-dealer and has implemented a "fire wall" with respect to such broker-dealer regarding access to information concerning the composition and/or changes to the Indices. The Index Provider has also implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the Indices.

As of July 18, 2016, the 2023 Index had the following characteristics: there were 4,612 issues; 5.83% of the weight of components had a minimum original principal amount outstanding of \$100 million or more; 73.56% of the weight of components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering; total face amount outstanding of issues in the 2023 Index was approximately \$38.5 billion, the market value is \$46.4 billion, and the average dollar amount outstanding per issue was approximately \$8.3 million; the most heavily weighted component represented 1.61% of the 2023 Index and the five most heavily weighted components represented 3.66% of the 2023 Index. Therefore, the Exchange believes that, notwithstanding that the 2023 Index does not satisfy the criterion in BZX Rule 14.11(c)(4)(B)(i), the 2023 Index is sufficiently broad-based to

deter potential manipulation in that a substantial portion (73.56%) of the 2023 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of index issues.

As of July 18, 2016, the 2024 Index had the following characteristics: there were 3,624 issues; 5.72% of the weight of components had a minimum original principal amount outstanding of \$100 million or more; 72.27% of the weight of components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering; the total face amount outstanding of issues in the 2024 Index was approximately \$29.9 billion, the market value is \$36.4 billion, and the average dollar amount outstanding of issues in the 2024 Index was approximately \$8.3 million; the most heavily weighted component represented 0.72% of the 2024 Index and the five most heavily weighted components represented 2.74% of the 2024 Index. Therefore, the Exchange believes that, notwithstanding that the 2024 Index does not satisfy the criterion in BZX Rule 14.11(c)(4)(B)(i), the 2024 Index is sufficiently broad-based to deter potential manipulation in that a substantial portion (72.27%) of the 2024 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of index issues.

The value, components, and percentage weightings of each of the Indices will be calculated and disseminated at least once daily and will be available from major market data vendors. In addition, the portfolio of securities held by the Funds will be disclosed on the Funds' website at www.iShares.com. The intraday indicative value for Shares of the Funds

will be disseminated by one or more major market data vendors, updated at least every 15 seconds during Regular Trading Hours. The Adviser represents that bonds that share similar characteristics, as described above, tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective. Within a single municipal bond issuer, [sic] Adviser represents that separate issues by the same issuer are also likely to trade similarly to one another.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. The Funds' portfolio holdings will be disclosed on the Funds' website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. The current value of each of the Indices will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Funds will include the prospectus for the Funds and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its Members in an information circular of the special characteristics and risks associated with trading the Shares. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market

participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments composing the daily disclosed portfolio of each Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(c)(1)(B)(iv), which sets forth circumstances under which Shares of a Fund may be halted. If the IIV of any of the Funds or value of the Indices are not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or index value occurs.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of exchange-traded funds that holds municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information in the Shares and the underlying shares in exchange-traded investment companies, futures, and options via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the IIV and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- (a) by order approve or disapprove such proposed rule change, or
- (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BatsBZX-2016-48 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BatsBZX-2016-48. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-BatsBZX-2016-48 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵¹

Robert W. Errett
Deputy Secretary

⁵¹ 17 CFR 200.30-3(a)(12).

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