



8011-01

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85370; File No. SR-CboeBZX-2019-017]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule to List and Trade Shares of the iShares iBonds Dec 2026 Term Muni Bond ETF, iShares iBonds Dec 2027 Term Muni Bond ETF, and iShares iBonds Dec 2028 Term Muni Bond ETF Under BZX Rule 14.11(c)(4)

March 20, 2019.

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 March 19, 2019, Cboe 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 proposes to list and trade under BZX Rule 14.11(c)(4) the shares of the iShares iBonds Dec 2026 Term Muni Bond ETF (the “2026 Fund”), iShares iBonds Dec 2027

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

Term Muni Bond ETF (the “2027 Fund”), and iShares iBonds Dec 2028 Term Muni Bond ETF (the “2028 Fund”, each a “Fund” and, collectively, the “Funds”) of iShares Trust (the “Trust”).

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, 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 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 aspects 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 shares (“Shares”) of the Funds under BZX Rule 14.11(c)(4),⁵ which governs the listing and trading of index fund shares based on fixed income securities indexes.⁶ The Shares will be offered by the Trust, which was established as a Delaware

⁵ 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).

⁶ The Exchange notes that the Commission has already published an immediately effective rule filing allowing the listing and trading of shares of a series of Index Fund Shares very similar to the Funds on the Exchange. See Securities Exchange Act Release No. 84107 (September 13, 2018), 83 FR 47210 (September 18, 2018) (SR-CboeBZX-2018-070) (the “2025 Filing”). Further, the Commission has also approved a proposed rule change allowing the listing and trading of shares of two series of Index Fund Shares very similar to the Funds on the Exchange. See Securities Exchange Act Release No. 79381 (November 22, 2016), 81 FR 86044 (November 29, 2016) (SR-BatsBZX-2016-48) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by

statutory trust on December 16, 1999. 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.⁷

Rule 14.11(c)(4)(B)(i)(b) requires that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index or portfolio shall have a minimum principal amount outstanding of \$100 million or more. The Exchange submits this proposal because the Underlying Indexes, as defined below, do not meet this requirement. The Underlying Indexes do, however, meet all of the other requirements of Rule 14.11(c)(4).

Description of the Shares and the Funds

BlackRock Fund Advisors (“BFA”) is the investment adviser to the Funds.⁸ State Street Bank and Trust Company is the administrator, custodian, and transfer agent for the Trust. S&P is

Amendments No. 1 and No. 2 Thereto, 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 BZX Rule 14.11(c)(4)) (the “Approval Order”). Finally, the Commission has also published an immediately effective rule filing allowing the listing and trading of shares of the 2026 Fund on NYSE Arca, Inc. (“NYSE Arca”). See Securities Exchange Act Release No. 84396 (October 10, 2018), 83 FR 52266 (October 16, 2018) (SR-NYSEArca-2018-70) (the “Arca Filing”). While the Arca Filing was published and would have allowed the listing and trading of shares of the 2026 Fund on NYSE Arca, the shares of the 2026 Fund have not been listed or traded. In addition to proposing to list and trade the Shares of each Fund on the Exchange, this proposal would change the underlying index associated with the 2026 Fund, as described in the Arca Filing, from the S&P AMT-Free Municipal Series Dec 2026 Index to the S&P AMT-Free Municipal Callable Factor Adjusted 2026 Series Index, which would expand the index universe to include certain callable securities, as described below.

⁷ See Registration Statement on Form N-1A for the Trust, dated January 11, 2019 (File Nos. 333-92935 and 811-09729). 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. 27661 (January 17, 2007) (File No. 812-13208).

⁸ BFA is an indirect wholly owned subsidiary of BlackRock, Inc.

the index provider (the “Index Provider”) for the Funds. BlackRock Investments, LLC serves as the distributor for the Trust.

S&P AMT-Free Municipal Callable Factor Adjusted 2026 Series Index

According to the Registration Statement, the 2026 Fund will seek to track the investment results, before fees and expenses, of the S&P AMT-Free Municipal Callable Factor Adjusted 2026 Series Index (the “2026 Underlying Index”), which measures the performance of investment-grade (as determined by Index Provider), non-callable and callable U.S. municipal bonds which will mature or be redeemed prior to December 1, 2026. The 2026 Underlying Index includes only municipal bonds from issuers that are state, local or federal district governments or agencies such that the interest on each such bond is exempt from U.S. federal income taxes and the federal alternative minimum tax (“AMT”) (“Municipal Securities”).

As of December 31, 2018, the 2026 Underlying Index included 12,222 component fixed income municipal bond securities from issuers in 51 different states or U.S. territories.⁹ The most heavily weighted security in the 2026 Underlying Index represented approximately 0.41% of the total weight of the 2026 Underlying Index and the aggregate weight of the top five most heavily weighted securities in the 2026 Underlying Index represented less than 1.33% of the total weight of the 2026 Underlying Index. Approximately 6.76% of the weight of the components in the 2026 Underlying Index had a minimum original principal outstanding of \$100 million or more and 76.02% of the weight of the components were a constituent of an offering where the original offering amount was at least \$100 million. In addition, the total dollar amount outstanding of issues in the 2026 Underlying Index was approximately \$101,777,956,000 and the average dollar amount outstanding of issues in the 2026 Underlying Index was approximately \$8,327,000.

⁹ Unless otherwise noted, all statistics related to the 2026 Underlying Index presented hereafter were accurate as of December 31, 2018.

Requirement for Index Constituents

Each bond in the 2026 Underlying Index must be denominated in U.S. dollars and must have a minimum par amount of \$2 million. To remain in the 2026 Underlying Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of the next rebalancing date. The 2026 Underlying Index includes Municipal Securities that have a rating of at least BBB- by S&P Global Ratings, Baa3 by Moody's Investors Service, Inc., or BBB by Fitch Ratings, Inc. A bond must be rated by at least one of these three rating agencies in order to qualify for the 2026 Underlying Index, and the lowest rating will be used in determining if the bond is investment-grade. All non-callable bonds in the 2026 Underlying Index will mature after December 31, 2025 and before December 2, 2026. Callable bonds are eligible subject to the following: (i) a final maturity date after December 31, 2025 and before December 2, 2026, and a next call date no sooner than two years prior to final maturity; or (ii) a final maturity up to four years after the index maturity year, if the next call date is within the index maturity range. The 2026 Underlying Index will also contain at least 500 component securities.

S&P AMT-Free Municipal Callable Factor Adjusted 2027 Series Index

According to the Registration Statement, the 2027 Fund will seek to track the investment results, before fees and expenses, of the S&P AMT-Free Municipal Callable Factor Adjusted 2027 Series Index (the "2027 Underlying Index"), which measures the performance of investment-grade (as determined by Index Provider), non-callable and callable U.S. municipal bonds which will mature or be redeemed prior to December 1, 2027. The 2027 Underlying Index includes only Municipal Securities.

As of December 31, 2018, the 2027 Underlying Index included 9,582 component fixed income municipal bond securities from issuers in 51 different states or U.S. territories.¹⁰ The most heavily weighted security in the 2027 Underlying Index represented approximately 0.57% of the total weight of the 2027 Underlying Index and the aggregate weight of the top five most heavily weighted securities in the 2027 Underlying Index represented less than 2.56% of the total weight of the 2027 Underlying Index. Approximately 5.87% of the weight of the components in the 2027 Underlying Index had a minimum original principal outstanding of \$100 million or more and 77.82% of the weight of the components were a constituent of an offering where the original offering amount was at least \$100 million. In addition, the total dollar amount outstanding of issues in the 2027 Underlying Index was approximately \$81,765,343,000 and the average dollar amount outstanding of issues in the 2027 Underlying Index was approximately \$8,533,000.

Requirement for Index Constituents

Each bond in the 2027 Underlying Index must be denominated in U.S. dollars and must have a minimum par amount of \$2 million. To remain in the 2027 Underlying Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of the next rebalancing date. The 2027 Underlying Index includes Municipal Securities that have a rating of at least BBB- by S&P Global Ratings, Baa3 by Moody's Investors Service, Inc., or BBB by Fitch Ratings, Inc. A bond must be rated by at least one of these three rating agencies in order to qualify for the 2027 Underlying Index, and the lowest rating will be used in determining if the bond is investment-grade. All non-callable bonds in the 2027 Underlying Index will mature after December 31, 2026 and before December 2, 2027. Callable bonds are eligible subject to the

¹⁰ Unless otherwise noted, all statistics related to the 2027 Underlying Index presented hereafter were accurate as of December 31, 2018.

following: (i) a final maturity after December 31, 2026 and before December 2, 2027, and a next call date no sooner than two years prior to final maturity; or (ii) a final maturity up to four years after the index maturity year, if the next call date is within the index maturity range. The 2027 Underlying Index will also contain at least 500 component securities.

S&P AMT-Free Municipal Callable Factor Adjusted 2028 Series Index

According to the Registration Statement, the 2028 Fund will seek to track the investment results, before fees and expenses, of the S&P AMT-Free Municipal Callable Factor Adjusted 2028 Series Index (the “2028 Underlying Index” and, collectively with the 2026 Underlying Index and the 2027 Underlying Index, the “Underlying Indexes”), which measures the performance of investment-grade (as determined by Index Provider), non-callable and callable U.S. municipal bonds which will mature or be redeemed prior to December 1, 2028. The 2028 Underlying Index includes only Municipal Securities.

As of December 31, 2018, the 2028 Underlying Index included 5,852 component fixed income municipal bond securities from issuers in 51 different states or U.S. territories.¹¹ The most heavily weighted security in the 2028 Underlying Index represented approximately 0.85% of the total weight of the 2028 Underlying Index and the aggregate weight of the top five most heavily weighted securities in the 2028 Underlying Index represented less than 2.42% of the total weight of the 2028 Underlying Index. Approximately 6.97% of the weight of the components in the 2028 Underlying Index had a minimum original principal outstanding of \$100 million or more and 80.36% of the weight of the components were a constituent of an offering where the original offering amount was at least \$100 million. In addition, the total dollar amount outstanding of issues in the 2028 Underlying Index was approximately \$54,637,103,000 and the

¹¹ Unless otherwise noted, all statistics related to the 2028 Underlying Index presented hereafter were accurate as of December 31, 2018.

average dollar amount outstanding of issues in the 2028 Underlying Index was approximately \$9,336,000.

Requirement for Index Constituents

Each bond in the 2028 Underlying Index must be denominated in U.S. dollars and must have a minimum par amount of \$2 million. To remain in the 2028 Underlying Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of the next rebalancing date. The 2028 Underlying Index includes Municipal Securities that have a rating of at least BBB- by S&P Global Ratings, Baa3 by Moody's Investors Service, Inc., or BBB- by Fitch Ratings, Inc. A bond must be rated by at least one of these three rating agencies in order to qualify for the 2028 Underlying Index, and the lowest rating will be used in determining if the bond is investment-grade. All non-callable bonds in the 2028 Underlying Index will mature after December 31, 2027 and before December 2, 2028. Callable bonds are eligible subject to the following: (i) a final maturity after December 31, 2027 and before December 2, 2028, and a next call date no sooner than two years prior to final maturity; or (ii) a final maturity up to four years after the index maturity year, if the next call date is within the index maturity range. The 2028 Underlying Index will also contain at least 500 component securities.

Portfolio Holdings

Each Fund's holdings may include only the following types of Municipal Securities: general obligation bonds,¹² limited obligation bonds (or revenue bonds),¹³ municipal notes,¹⁴

¹² 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.

¹³ 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

municipal commercial paper,¹⁵ tender option bonds,¹⁶ variable rate demand notes and demand obligations (“VRDOs”),¹⁷ municipal lease obligations,¹⁸ stripped securities,¹⁹ structured securities,²⁰ and zero coupon securities.²¹

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).

14 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.

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

16 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.

17 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.

18 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.

19 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.

20 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.

21 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.

Under normal market conditions,²² each Fund will generally invest at least 90% of its assets in the component securities of its respective Underlying Index, except during the last months of the Fund's operations. With respect to the remaining 10% of its assets, each Fund may invest in certain futures, options and swap contracts,²³ cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in Municipal Securities not included in its respective Underlying Index, but which BFA believes will help the Fund track the Underlying Index. From time to time when conditions warrant, however, a Fund may invest at least 80% of its assets in the component securities of its respective Underlying Index.

In the last months of operation, as the bonds held by a Fund mature (other than the tender options bonds mentioned below), the proceeds will not be reinvested in bonds (except as discussed below) 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 obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the Fund's benchmark index.

Discussion

²² The term "normal market conditions" includes, but is not limited to, the absence of trading halts in the applicable financial markets generally; operational issues (e.g., systems failure) causing dissemination of inaccurate market information; or force majeure type events such as natural or manmade disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

²³ Such futures, options and swap contracts will include only the following: interest rate futures, interest rate options, and interest rate swaps. The derivatives will be centrally cleared and they will be collateralized. At least 90% of the Fund's net assets that are invested in listed derivatives will be invested in instruments that trade in markets that are members or affiliates of members of the Intermarket Surveillance Group ("ISG") or are parties to a comprehensive surveillance sharing with the Exchange.

Based on the characteristics of the Underlying Indexes and the representations made in the Requirements for Index Constituents sections above, the Exchange believes it is appropriate to allow the listing and trading of the Shares. The Underlying Indexes and Funds each satisfy all of the generic listing requirements for Index Fund Shares based on a fixed income index, except for the minimum principal amount outstanding requirement of 14.11(c)(4)(B)(i)(b). The Exchange notes that the representations in the Requirements for Index Constituents for the Underlying Indexes include the same representations made regarding the S&P AMT-Free Municipal Series Dec 2023 Index, the S&P AMT-Free Municipal Series Dec 2024 Index, and the S&P AMT-Free Municipal Series Dec 2025 Index (collectively, with the S&P AMT-Free Municipal Series Dec 2023 Index and the S&P AMT-Free Municipal Series Dec 2024 Index, the “Comparable Indexes”). Further, the Requirements for Index Constituents also include an additional representation that each Underlying [sic] Index will have at least 500 constituents on a continuous basis, which was also included in the filing related to the S&P AMT-Free Municipal Series Dec 2025 Index. The Exchange believes that this representation ensures diversification among constituent securities of the Indexes.²⁴

The Approval Order and 2025 Filing included the representation that a bond must be investment-grade and must have an outstanding par value of at least \$2 million in order to be included in the Comparable Indexes. Each Underlying Index requires that, in order to remain in the Underlying Index, bonds must be investment-grade and maintain a minimum par amount greater than or equal to \$2 million and, further, BFA has represented that each Underlying Index

²⁴ See Approval Order and the 2025 Filing. The Exchange notes that the only substantive difference between the Comparable Indexes and the Underlying Indexes, other than the maturity dates of the constituents, is that the Underlying Indexes may include callable and non-callable Municipal Securities, while the Comparable Indexes include only non-callable Municipal Securities.

will have at least 500 constituents on a continuous basis. As such, the Exchange believes that the proposal is consistent with the Act because the representations regarding the quality and size of the issuances included in each Underlying Index provide a strong degree of protection against index manipulation that is consistent with other proposals that have either been approved for listing and trading by the Commission or were effective upon filing, which is only furthered by the additional representation that each Underlying [sic] Index will have at least 500 constituents on a continuous basis, which ensures diversification among constituent securities.

In addition, the Exchange represents that: (1) except for Rule 14.11(c)(4)(B)(i)(b), each Underlying [sic] Index currently satisfies all of the generic listing standards under Rule 14.11(c)(4); (2) the continued listing standards under Rule 14.11(c), as applicable to Index Fund Shares based on fixed income securities, will apply to the Shares; and (3) the issuer of the Funds is required to comply with Rule 10A-3²⁵ under the Act for the initial and continued listing of the Shares. In addition, the Exchange represents that each Fund will comply with all other requirements applicable to Index Fund Shares, including, but not limited to, requirements relating to the dissemination of key information such as the value of the Underlying Indexes and the Intraday Indicative Value (“IIV”),²⁶ rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Circular, as set forth in the Exchange rules applicable to Index Fund Shares and prior Commission orders approving the generic listing rules applicable to the listing and trading of Index Fund Shares.

²⁵ 17 CFR 240.10A-3.

²⁶ The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Regular Trading Hours. Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association (“CTA”) or other data feeds.

The current value of each Underlying Index will be widely disseminated by one or more major market data vendors at least once per day, as required by Rule 14.11(c)(4)(C)(ii). The portfolio of securities and other assets held by each Fund will be disclosed daily on its respective website at www.ishares.com. Further, each Fund's website will contain the Fund's prospectus and additional data relating to net asset value ("NAV") and other applicable quantitative information. The issuer has represented that the NAV of each Fund will be calculated daily and will be made available to all market participants at the same time. The Index Provider is not a broker-dealer and is not affiliated with a broker-dealer. To the extent that the Index Provider becomes a broker-dealer or becomes affiliated with a broker-dealer, the Index Provider will implement and will maintain a "fire wall" around the personnel who have access to information concerning changes and adjustments to each Underlying Index and each Underlying Index shall be calculated by a third party who is not a broker-dealer or fund advisor. In addition, any advisory committee, supervisory board or similar entity that advises the Index Provider or that makes decisions on each Index, methodology and related matters, will implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the Underlying Indexes.

The Exchange's existing rules require that the issuer of the Funds notify the Exchange of any material change to the methodology used to determine the composition of an Underlying Index and, therefore, if the methodology of an Underlying Index was to be changed in a manner that would materially alter its existing composition, the Exchange would have advance notice and would evaluate the modifications to determine whether that Underlying [sic] Index remained sufficiently broad-based and well diversified.

Availability of Information

The Funds' website, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for the Funds that may be downloaded. The website will include additional quantitative information updated on a daily basis, including, for each 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 Shares 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, each Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets in the daily disclosed portfolio held by the Fund that formed the basis for the 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 Underlying Index will be calculated and disseminated at least once daily and will be available from major market data vendors. Rules

governing each Fund's respective Underlying Indexes are available on S&P's website and in the applicable Fund's prospectus.

In addition, an estimated value, defined in BZX Rule 14.11(c)(6)(A) as the IIV that reflects an estimated intraday value of each Fund's portfolio, will be disseminated. Moreover, the IIV 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.²⁷ In addition, the quotations of certain of a Fund's holdings may not be updated during U.S. trading hours if updated prices cannot be ascertained.

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

Quotation and last sale information for the Shares will be available via the CTA high speed line. Price information regarding Municipal Securities and other non-exchange traded assets including certain derivatives, money market funds and other instruments, and repurchase agreements is available from third party pricing services and major market data vendors. Price information regarding Municipal Securities can also be obtained from the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. For exchange-traded assets, including futures, and certain options, such intraday information is available directly from the applicable listing exchange. In addition, price information for U.S. exchange-traded options will be available from the Options Price Reporting Authority.

Surveillance

²⁷ Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available IIVs published via the CTA or other data feeds.

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, or by regulatory staff of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.²⁸

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets and other entities that are members of the ISG, and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Funds reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). FINRA also can access data obtained

²⁸ FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

from the Municipal Securities Rulemaking Board's EMMA system relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act²⁹ in general and Section 6(b)(5) of the Act³⁰ 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 initial and continued listing criteria for Index Fund Shares based on a fixed income index in Rule 14.11(c)(4), except for the minimum principal amount outstanding requirement of 14.11(c)(4)(B)(i)(b). The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange as well as cross-market surveillances administered by the FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares with other markets that are members of the ISG. In addition, the Exchange will

²⁹ 15 U.S.C. 78f.

³⁰ 15 U.S.C. 78f(b)(5).

communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA also can access data obtained from the EMMA system relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by the Funds reported to TRACE.

As discussed above, the Exchange believes that each Underlying Index is sufficiently broad-based to deter potential manipulation. The Underlying Indexes currently include at least 5,852 component securities. Whereas the Rule 14.11(c)(4)(B)(i)(e) requires that an index contain securities from a minimum of 13 non-affiliated issuers, the Underlying Indexes each include securities issued by municipal entities in at least 51 states or U.S. territories. Further, whereas the generic listing rules permit a single component security to represent up to 30% of the weight of an index and the top five component securities to, in aggregate, represent up to 65% of the weight of an index, the largest component security in each Underlying Index constitutes no more than 0.85% of the weight of the Underlying Index and the largest five component securities represent no more than 2.56% of the weight of an Underlying Index.

The Exchange believes that this significant diversification and the lack of concentration among constituent securities provide each Underlying Index with a strong degree of protection against index manipulation. Each Underlying Index and Fund satisfy all of the generic listing requirements for Index Fund Shares based on a fixed income index, except for the minimum principal amount outstanding requirement of 14.11(c)(4)(B)(i)(b). With this in mind, the Exchange notes that the representations in the Requirements for Index Constituents for each Underlying Index are identical to or more robust than the representations made regarding the

Comparable Indexes and, further, BFA has made an additional representation regarding diversification that was also included in the 2025 Filing.

The Approval Order and 2025 Filing included the representation that a bond must be investment-grade and must have an outstanding par value of at least \$2 million in order to be included in the Comparable Indexes. To remain in an Underlying Index, bonds must be investment-grade and maintain a minimum par amount greater than or equal to \$2 million and, further, BFA has represented that each Underlying Index will have at least 500 constituents on a continuous basis, which ensures diversification among constituent securities, a representation that was also included in the 2025 Filing. As such, the Exchange believes that the proposal is consistent with the Act because the representations regarding the quality and size of the issuances included in each Underlying Index provide a strong degree of protection against index manipulation that is consistent with other proposals that have either been approved for listing and trading by the Commission or were effective upon filing, which is only furthered by the additional representation that each Underlying [sic] Index will have at least 500 constituents on a continuous basis, which ensures diversification among constituent securities.

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 is publicly available regarding each Fund, thereby promoting market transparency. Each Fund's portfolio holdings will be disclosed on its respective website daily after the close of trading on the Exchange. Moreover, the IIV for the Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Regular Trading Hours. The current value of each Underlying Index 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 each Fund and additional data relating to NAV and other applicable quantitative information.

If the Exchange becomes aware that a Fund's NAV is not being disseminated to all market participants at the same time, it will halt trading in the applicable Fund's 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. 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. If the IIV and index value are not being disseminated for a Fund as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or index value occurs. If the interruption to the dissemination of an IIV or index value persists past the trading day in which it occurred, the Exchange will halt trading. The Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares. 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 a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. In addition, investors will have ready access to information regarding the applicable IIV, and quotation and last sale information for the Shares. Trade price and other information relating to Municipal Securities is available through the EMMA system.

All statements and representations made in this filing regarding the composition of the Underlying Indexes, the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of index, reference asset, and IIV, or the applicability of Exchange listing rules shall constitute continued listing requirements for listing the Shares on the Exchange. The issuer is required to advise the Exchange of any failure by a Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If a Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under Rule 14.12.

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 several new exchange-traded products that principally hold Municipal Securities and that will enhance competition among market participants, to the benefit of investors and the marketplace. The Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information 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 three

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act³¹ and Rule 19b-4(f)(6) thereunder.³²

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act³³ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)³⁴ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange noted that this proposal includes identical representations regarding the requirements for index constituents of each Underlying Index as are included in relation to the

³¹ 15 U.S.C. 78s(b)(3)(A).

³² 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

³³ 17 CFR 240.19b-4(f)(6).

³⁴ 17 CFR 240.19b-4(f)(6)(iii).

Comparable Indexes in the Approval Order and the 2025 Filing and thus raises no new or novel issues. The Exchange noted this proposal further includes an additional representation that each Underlying Index will have at least 500 constituents on a continuous basis, which the Commission believes should help ensure diversification among constituent securities in a manner similar to the 2025 Filing. Finally, the Exchange notes that waiver of the 30-day operative delay will expedite the listing and trading of the Shares, which may enhance competition among market participants, without undue delay, to the benefit of investors and the marketplace. The Commission believes that the proposal raises no new or substantive issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.³⁵

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

³⁵ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2019-017 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-CboeBZX-2019-017. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available

publicly. All submissions should refer to File Number SR-CboeBZX-2019-017, 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.³⁶

Eduardo A. Aleman,

Deputy Secretary.

³⁶ 17 CFR 200.30-3(a)(12).

