

“Advisory Agreement”).¹ The Adviser will provide the Subadvised Series with continuous and comprehensive investment management services subject to the supervision of, and policies established by, each Subadvised Series’ board of trustees (“Board”). The Advisory Agreement permits the Adviser, subject to the approval of the Board, to delegate to one or more sub-advisers (each, a “Sub-Adviser” and collectively, the “Sub-Advisers”) the responsibility to provide the day-to-day portfolio investment management of each Subadvised Series, subject to the supervision and direction of the Adviser. The primary responsibility for managing the Subadvised Series will remain vested in the Adviser. The Adviser will hire, evaluate, allocate assets to and oversee the Sub-Advisers, including determining whether a Sub-Adviser should be terminated, at all times subject to the authority of the Board.

2. Applicants request an exemption to permit the Adviser, subject to Board approval, to hire certain Sub-Advisers pursuant to Sub-Advisory Agreements and materially amend existing Sub-Advisory Agreements without obtaining the shareholder approval required under section 15(a) of the Act and rule 18f-2 under the Act.² Applicants also seek an exemption from the Disclosure Requirements to permit a Subadvised Series to disclose (as both a dollar amount and a percentage of the Subadvised Series’ net assets): (a) The aggregate fees paid to the Adviser and any Affiliated Sub-Adviser; and (b) the aggregate fees paid to Sub-Advisers other than Affiliated Sub-Advisers (collectively, “Aggregate Fee Disclosure”). For any Subadvised Series that employs an Affiliated Sub-Adviser, the Subadvised Series will provide separate disclosure of any fees paid to the Affiliated Sub-Adviser.

3. Applicants agree that any order granting the requested relief will be

subject to the terms and conditions stated in the Application. Such terms and conditions provide for, among other safeguards, appropriate disclosure to Subadvised Series shareholders and notification about sub-advisory changes and enhanced Board oversight to protect the interests of the Subadvised Series’ shareholders.

4. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provisions of the Act, or any rule thereunder, if such relief is necessary or appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the Act. Applicants believe that the requested relief meets this standard because, as further explained in the Application, the Advisory Agreements will remain subject to shareholder approval, while the role of the Sub-Advisers is substantially similar to that of individual portfolio managers, so that requiring shareholder approval of Sub-Advisory Agreements would impose unnecessary delays and expenses on the Subadvised Series. Applicants believe that the requested relief from the Disclosure Requirements meets this standard because it will improve the Adviser’s ability to negotiate fees paid to the Sub-Advisers that are more advantageous for the Subadvised Series.

For the Commission, by the Division of Investment Management, under delegated authority.

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80036; File No. SR-BatsBZX-2017-10]

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Shares of the iShares iBonds Dec 2024 AMT-Free Muni Bond ETF, iShares iBonds Dec 2025 AMT-Free Muni Bond ETF, and iShares iBonds Dec 2026 AMT-Free Muni Bond ETF of the iShares U.S. ETF Trust Under Bats Rule 14.11(i), Managed Fund Shares

February 14, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 31, 2017, Bats BZX Exchange, Inc. (the “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 proposed rule change to list and trade shares of the iShares iBonds Dec 2024 AMT-Free Muni Bond ETF, iShares iBonds Dec 2025 AMT-Free Muni Bond ETF, and iShares iBonds Dec 2026 AMT-Free Muni Bond ETF (each a “Fund” or, collectively, the “Funds”) of the iShares U.S. ETF Trust (the “Trust” or the “Issuer”) under Bats Rule 14.11(i) (“Managed Fund Shares”). 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 Web site at www.bats.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 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 under Bats Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.³ The Funds will be actively

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

¹ Applicants request relief with respect to any existing and any future series of the Trust and any other registered open-end management company or series thereof that: (a) Is advised by Brinker or its successor or by a person controlling, controlled by, or under common control with Brinker or its successor (each, also an “Adviser”); (b) uses the manager of managers structure described in the application; and (c) complies with the terms and conditions of the application (each, a “Subadvised Series” and collectively, the “Subadvised Series”). For purposes of the requested order, “successor” is limited to an entity that results from a reorganization into another jurisdiction or a change in the type of business organization.

² The requested relief will not extend to any sub-adviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Subadvised Series or the Adviser, other than by reason of serving as a sub-adviser to one or more of the Subadvised Series (“Affiliated Sub-Adviser”).

managed funds. The Shares will be offered by the Trust, which was established as a Delaware statutory trust on June 21, 2011. 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.⁴

Description of the Shares and the Funds

BlackRock Fund Advisors is the investment adviser ("BFA" or "Adviser") to the Funds.⁵ 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.

Bats Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.⁶ In addition, Rule 14.11(i)(7) further requires that

personnel who make decisions on the investment company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable investment company portfolio. Rule 14.11(i)(7) is similar to Bats Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented "fire walls" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to a Fund's portfolio. In addition, Adviser personnel who make decisions regarding a Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. In the event that (a) the Adviser becomes registered as a broker-dealer or newly affiliated with another broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or such broker-dealer affiliate, as applicable, regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

iShares iBonds Dec 2024 AMT-Free Muni Bond ETF

According to the Registration Statement, the Fund will seek to maximize tax-free current income and terminate on or around December 2024. To achieve its objective, the Fund will invest, under normal circumstances,⁷ at least 80% of its net assets in Municipal Securities, as defined below, such that the interest on each security is exempt from U.S. federal income taxes and the federal alternative minimum tax (the "AMT"). The Fund is not a money

market fund and does not seek to maintain a stable net asset value of \$1.00 per share. The Fund will be classified as a "non-diversified" investment company under the 1940 Act.⁸

The Fund intends to qualify each year 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.

Principal Holdings—Municipal Securities

To achieve its objective, the Fund will invest, under normal circumstances, in U.S.-dollar denominated investment-grade fixed-rate Municipal Securities, as defined below. The Fund will invest in both callable and non-callable municipal bonds. Investment-grade securities are rated a minimum of BBB- or higher by Standard & Poor's Ratings Services and/or Fitch, or Baa3 or higher by Moody's, or if unrated, determined by the Adviser to be of equivalent quality.⁹ Under normal circumstances, the Fund's effective duration will vary within one year (plus or minus) of the effective duration of the securities comprising the S&P AMT-Free Municipal Series Dec 2024 Index, which, as of December 15, 2015, was 7.24 years.¹⁰

Municipal securities ("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,¹¹ limited obligation

⁴ See Registration Statement on Form N-1A for the Trust, dated November 2, 2015 (File Nos. 333-179904 and 811-22649). 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. 29571 (January 24, 2011) (File No. 812-13601).

⁵ BFA is an indirect wholly owned subsidiary of BlackRock, Inc.

⁶ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

⁷ The term "under normal circumstances" includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in the financial markets; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot, or labor disruption, or any similar intervening circumstance.

⁸ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

⁹ According to the Adviser, BFA may determine that unrated securities are of "equivalent 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 ratings organization when rating similar securities and issuers. In making such a determination, BFA may consider internal analyses and risk ratings, third party research and analysis, and other sources of information, as deemed appropriate by the Adviser.

¹⁰ Effective duration is a measure of the Fund's price sensitivity to changes in yields or interest rates.

¹¹ General obligation bonds are obligations involving the credit of an issuer possessing taxing

bonds (or revenue bonds),¹² municipal notes,¹³ municipal commercial paper,¹⁴ tender option bonds,¹⁵ variable rate demand obligations (“VRDOs”),¹⁶ municipal lease obligations,¹⁷ stripped securities,¹⁸ structured securities,¹⁹ when issued securities,²⁰ zero coupon securities,²¹ and exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its

power and are payable from such issuer’s general revenues and not from any particular source.

¹² 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).

¹³ 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.

¹⁴ Municipal commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

¹⁸ 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.

¹⁹ 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.

²⁰ The Fund may purchase or sell securities that it is entitled to receive on a when issued or delayed delivery basis as well as through a forward commitment.

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.

affiliates) that invest in such Municipal Securities.²²

In the last year 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 affiliated money market funds, AMT-free tax-exempt municipal notes, VRDOs, tender option bonds and municipal commercial paper. In or around December 2024, the Fund will wind up and terminate, and its net assets will be distributed to then current shareholders.

The Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund’s assets comprised of Municipal Bonds that provide exposure to any single state. The Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding. The Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding. No single Municipal Security held by the Fund will exceed 4% of the weight of the Fund’s portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of the Fund’s portfolio. The Fund will hold Municipal Securities of at least 20 non-affiliated issuers. The Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding.²³ To the extent that the Fund at one point has sufficient creation units outstanding necessary to trigger a diversity requirement laid out above (a “Trigger Number”), but subsequently has fewer creation units outstanding than the applicable Trigger Number, the Fund may no longer comply with the applicable diversity requirement.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund’s investment objective and in the best interest of the Fund. For example, the

²² The Fund currently anticipates investing in only registered open-end investment companies, including mutual funds and the open-end investment company funds described in Bats Rule 14.11. The Fund may invest in the securities of other investment companies to the extent permitted by law.

²³ For purposes of this filing, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of Municipal Securities.

Fund may hold a higher than normal proportion of its assets in cash in response to adverse market, economic or political conditions.

The Fund intends to qualify each year as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended.²⁴ 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.²⁵ 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.²⁶

The Fund may also invest in short-term instruments (“Short-Term Instruments”),²⁷ which includes

²⁴ 26 U.S.C. 851.

²⁵ 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.

²⁶ 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.

²⁷ 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

exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in money market instruments.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser²⁸ under the 1940 Act.²⁹ The

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.

²⁸In reaching liquidity decisions, the Adviser may consider factors including: The frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (e.g., default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

²⁹The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990),

Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The Fund may also invest up to 20% of its net assets in Municipal Securities that pay interest that is subject to the AMT.

iShares iBonds Dec 2025 AMT-Free Muni Bond ETF

According to the Registration Statement, the Fund will seek to maximize tax-free current income and terminate on or around December 2025. To achieve its objective, the Fund will invest, under normal circumstances,³⁰ at least 80% of its net assets in Municipal Securities, as defined below, such that the interest on each security is exempt from U.S. federal income taxes and the federal alternative minimum tax (the "AMT"). The Fund is not a money market fund and does not seek to maintain a stable net asset value of \$1.00 per share. The Fund will be classified as a "non-diversified" investment company under the 1940 Act.³¹

The Fund intends to qualify each year 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.

55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

³⁰The term "under normal circumstances" includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in the financial markets; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot, or labor disruption, or any similar intervening circumstance.

³¹The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

Principal Holdings—Municipal Securities

To achieve its objective, the Fund will invest, under normal circumstances, in U.S.-dollar denominated investment-grade fixed-rate Municipal Securities, as defined below. The Fund will invest in both callable and non-callable municipal bonds. Investment-grade securities are rated a minimum of BBB- or higher by Standard & Poor's Ratings Services and/or Fitch, or Baa3 or higher by Moody's, or if unrated, determined by the Adviser to be of equivalent quality.³² Under normal circumstances, the Fund's effective duration will vary within one year (plus or minus) of the effective duration of the securities comprising the S&P AMT-Free Municipal Series Dec 2025 Index, which, as of December 15, 2015, was 8.26 years.³³

Municipal securities ("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,³⁴ limited obligation bonds (or revenue bonds),³⁵ [sic], municipal notes,³⁶ municipal

³² According to the Adviser, BFA may determine that unrated securities are of "equivalent 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 ratings organization when rating similar securities and issuers. In making such a determination, BFA may consider internal analyses and risk ratings, third party research and analysis, and other sources of information, as deemed appropriate by the Adviser.

³³ Effective duration is a measure of the Fund's price sensitivity to changes in yields or interest rates.

³⁴ 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.

³⁵ 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).

³⁶ 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.

commercial paper,³⁷ tender option bonds,³⁸ variable rate demand obligations (“VRDOs”),³⁹ municipal lease obligations,⁴⁰ stripped securities,⁴¹ structured securities,⁴² when issued securities,⁴³ zero coupon securities,⁴⁴ and exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in such Municipal Securities.⁴⁵

In the last year 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 affiliated money market funds, AMT-free tax-exempt municipal notes, VRDOs, tender option bonds and municipal commercial paper. In or around December 2025, the Fund will wind up and terminate, and its net

³⁷ Municipal commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

³⁸ 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.

³⁹ 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.

⁴⁰ 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.

⁴¹ 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.

⁴² 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.

⁴³ The Fund may purchase or sell securities that it is entitled to receive on a when issued or delayed delivery basis as well as through a forward commitment.

⁴⁴ 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.

⁴⁵ The Fund currently anticipates investing in only registered open-end investment companies, including mutual funds and the open-end investment company funds described in Bats Rule 14.11. The Fund may invest in the securities of other investment companies to the extent permitted by law.

assets will be distributed to then current shareholders.

The Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund’s assets comprised of Municipal Bonds that provide exposure to any single state. The Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding. The Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding. No single Municipal Security held by the Fund will exceed 4% of the weight of the Fund’s portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of the Fund’s portfolio. The Fund will hold Municipal Securities of at least 20 non-affiliated issuers. The Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding.⁴⁶ To the extent that the Fund at one point has sufficient creation units outstanding necessary to trigger a diversity requirement laid out above (a “Trigger Number”), but subsequently has fewer creation units outstanding than the applicable Trigger Number, the Fund may no longer comply with the applicable diversity requirement.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund’s investment objective and in the best interest of the Fund. For example, the Fund may hold a higher than normal proportion of its assets in cash in response to adverse market, economic or political conditions.

The Fund intends to qualify each year as a regulated investment company (a “RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended.⁴⁷ 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.

⁴⁶ For purposes of this filing, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of Municipal Securities.

⁴⁷ 26 U.S.C. 851.

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.⁴⁸ 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.⁴⁹

The Fund may also invest in short-term instruments (“Short-Term Instruments”),⁵⁰ which includes

⁴⁸ 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.

⁴⁹ 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.

⁵⁰ 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

exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in money market instruments.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser⁵¹ under the 1940 Act.⁵² The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available

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.

⁵¹ In reaching liquidity decisions, the Adviser may consider factors including: The frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; the nature of the security and the nature of the marketplace trades (e.g., the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (e.g., default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

⁵² The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

markets as determined in accordance with Commission staff guidance.

The Fund may also invest up to 20% of its net assets in Municipal Securities that pay interest that is subject to the AMT.

iShares iBonds Dec 2026 AMT-Free Muni Bond ETF

According to the Registration Statement, the Fund will seek to maximize tax-free current income and terminate on or around December 2026. To achieve its objective, the Fund will invest, under normal circumstances,⁵³ at least 80% of its net assets in Municipal Securities, as defined below, such that the interest on each security is exempt from U.S. federal income taxes and the federal alternative minimum tax (the "AMT"). The Fund is not a money market fund and does not seek to maintain a stable net asset value of \$1.00 per share. The Fund will be classified as a "non-diversified" investment company under the 1940 Act.⁵⁴

The Fund intends to qualify each year 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.

Principal Holdings—Municipal Securities

To achieve its objective, the Fund will invest, under normal circumstances, in U.S.-dollar denominated investment-grade fixed-rate Municipal Securities, as defined below. The Fund will invest in both callable and non-callable municipal bonds. Investment-grade securities are rated a minimum of BBB- or higher by Standard & Poor's Ratings Services and/or Fitch, or Baa3 or higher by Moody's, or if unrated, determined by the Adviser to be of equivalent quality.⁵⁵ Under normal circumstances,

⁵³ The term "under normal circumstances" includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in the financial markets; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot, or labor disruption, or any similar intervening circumstance.

⁵⁴ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

⁵⁵ According to the Adviser, BFA may determine that unrated securities are of "equivalent quality" based on such credit quality factors that it deems

the Fund's effective duration will vary within one year (plus or minus) of the effective duration of the securities comprising the S&P AMT-Free Municipal Series Dec 2026 Index, which, as of December 15, 2015, was 9.22 years.⁵⁶

Municipal securities ("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,⁵⁷ limited obligation bonds (or revenue bonds),⁵⁸ [sic], municipal notes,⁵⁹ municipal commercial paper,⁶⁰ tender option bonds,⁶¹ variable rate demand obligations ("VRDOs"),⁶² municipal

appropriate, which may include among other things, performing an analysis similar, to the extent possible, to that performed by a nationally recognized statistical ratings organization when rating similar securities and issuers. In making such a determination, BFA may consider internal analyses and risk ratings, third party research and analysis, and other sources of information, as deemed appropriate by the Adviser.

⁵⁶ Effective duration is a measure of the Fund's price sensitivity to changes in yields or interest rates.

⁵⁷ 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.

⁵⁸ 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).

⁵⁹ 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.

⁶⁰ Municipal commercial paper is generally unsecured debt that is issued to meet short-term financing needs.

⁶¹ 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.

⁶² 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.

lease obligations,⁶³ stripped securities,⁶⁴ structured securities,⁶⁵ when issued securities,⁶⁶ zero coupon securities,⁶⁷ and exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in such Municipal Securities.⁶⁸

In the last year 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 affiliated money market funds, AMT-free tax-exempt municipal notes, VRDOs, tender option bonds and municipal commercial paper. In or around December 2026, the Fund will wind up and terminate, and its net assets will be distributed to then current shareholders.

The Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund's assets comprised of Municipal Bonds that provide exposure to any single state. The Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding. The Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states

⁶³ 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.

⁶⁴ 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.

⁶⁵ 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.

⁶⁶ The Fund may purchase or sell securities that it is entitled to receive on a when issued or delayed delivery basis as well as through a forward commitment.

⁶⁷ 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.

⁶⁸ The Fund currently anticipates investing in only registered open-end investment companies, including mutual funds and the open-end investment company funds described in Bats Rule 14.11. The Fund may invest in the securities of other investment companies to the extent permitted by law.

when at least eight creation units are outstanding. No single Municipal Security held by the Fund will exceed 4% of the weight of the Fund's portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of the Fund's portfolio. The Fund will hold Municipal Securities of at least 20 non-affiliated issuers. The Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding.⁶⁹ To the extent that the Fund at one point has sufficient creation units outstanding necessary to trigger a diversity requirement laid out above (a "Trigger Number"), but subsequently has fewer creation units outstanding than the applicable Trigger Number, the Fund may no longer comply with the applicable diversity requirement.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may hold a higher than normal proportion of its assets in cash in response to adverse market, economic or political conditions.

The Fund intends to qualify each year as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.⁷⁰ 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.⁷¹ The Fund's investments will be consistent with its

⁶⁹ For purposes of this filing, each state and each separate political subdivision, agency, authority, or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, will be treated as separate issuers of Municipal Securities.

⁷⁰ 26 U.S.C. 851.

⁷¹ 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.

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.⁷²

The Fund may also invest in short-term instruments ("Short-Term Instruments"),⁷³ which includes exchange traded and non-exchange traded investment companies (including investment companies advised by BFA or its affiliates) that invest in money market instruments.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in

⁷² 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.

⁷³ 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.

illiquid assets (calculated at the time of investment), as deemed illiquid by the Adviser⁷⁴ under the 1940 Act.⁷⁵ The Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The Fund may also invest up to 20% of its net assets in Municipal Securities that pay interest that is subject to the AMT.

Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of the Funds will be calculated each business day as of the close of regular trading on the New York Stock Exchange ("NYSE"), generally 4:00 p.m. Eastern Time (the "NAV Calculation Time"), on each day that the NYSE is open for trading, based on prices at the NAV Calculation Time. NAV per Share is calculated by dividing each Fund's

net assets by the number of Shares outstanding.

According to the Registration Statement, unless otherwise described below, the Funds will value Municipal Securities using prices provided directly from one or more broker-dealers, market makers, or independent third-party pricing services which may use matrix pricing and valuation models, as well as recent market transactions for the same or similar assets, to derive values.

Exchange traded investment companies will be valued at market closing price or, if no closing price is available, at the last traded price on the primary exchange on which they are traded. Price information for such securities will be taken from the exchange where the security is primarily traded. Investment companies not listed on an exchange are valued at their net asset value.

Futures and options contracts will be valued at their last sale price or settle price as of the close of the applicable exchange.

Repurchase Agreements will generally be valued at par. In certain circumstances, Short-Term Instruments may be valued on the basis of amortized cost.

According to the Registration Statement, generally, trading in money market instruments, and certain Municipal Securities is substantially completed each day at various times prior to the close of business on the Exchange. Additionally, trading in certain derivatives is substantially completed each day at various times prior to the close of business on the Exchange. The values of such securities and derivatives used in computing the NAV of the Funds are determined at such times.

According to the Registration Statement, when market quotations are not readily available or are believed by BFA to be unreliable, the Funds' investments are valued at fair value. Fair value determinations are made by BFA in accordance with policies and procedures approved by the Trust's board of trustees and in accordance with the 1940 Act. BFA may conclude that a market quotation is not readily available or is unreliable if a security or other asset or liability is thinly traded, or where there is a significant event⁷⁶ subsequent to the most recent market quotation.

According to the Registration Statement, fair value represents a good

faith approximation of the value of an asset or liability. The fair value of an asset or liability held by a Fund is the amount that the Fund might reasonably expect to receive from the current sale of that asset or the cost to extinguish that liability in an arm's-length transaction. Valuing a Fund's investments using fair value pricing will result in prices that may differ from current valuations and that may not be the prices at which those investments could have been sold during the period in which the particular fair values were used.

The Shares

Each Fund will issue and redeem Shares on a continuous basis at the NAV per Share only in large blocks of a specified number of Shares or multiples thereof ("Creation Units") in transactions with authorized participants who have entered into agreements with the Distributor. Each Fund currently anticipates that a Creation Unit will consist of 50,000 Shares, though this number may change from time to time, including prior to listing of the Funds. The exact number of Shares that will constitute a Creation Unit will be disclosed in the respective Registration Statement of each Fund. Once created, Shares of each Fund trade on the secondary market in amounts less than a Creation Unit.

The consideration for purchase of Creation Units of a Fund generally will consist of the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) (*i.e.*, the "Deposit Securities"), and the "Cash Component" computed as described below. Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit of a Fund.

The portfolio of securities required for purchase of a Creation Unit may not be identical to the portfolio of securities a Fund will deliver upon redemption of Shares. The Deposit Securities and Fund Securities (as defined below), as the case may be, in connection with a purchase or redemption of a Creation Unit, generally will correspond *pro rata* to the securities held by the Fund.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the "Deposit Amount," which will be an amount equal to the market value of the Deposit Securities, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. Each Fund

⁷⁴ In reaching liquidity decisions, the Adviser may consider factors including: The frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; the nature of the security and the nature of the marketplace trades (*e.g.*, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (*e.g.*, default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

⁷⁵ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

⁷⁶ A "significant event" is an event that, in the judgment of BFA, is likely to cause a material change to the closing market price of the asset or liability held by the Fund.

generally offers Creation Units partially for cash. BFA will make available through the National Securities Clearing Corporation ("NSCC") on each business day, prior to the opening of business on the Exchange, the list of names and the required number or par value of each Deposit Security and the amount of the Cash Component to be included in the current Fund Deposit (based on information as of the end of the previous business day) for the Fund.

The identity and number or par value of the Deposit Securities may change pursuant to changes in the composition of a Fund's portfolio as rebalancing adjustments and corporate action events occur from time to time. The composition of the Deposit Securities may also change in response to adjustments to the weighting or composition of the holdings of a Fund.

Each Fund reserves the right to permit or require the substitution of a "cash in lieu" amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the Depository Trust Company ("DTC") or the clearing process through the NSCC.⁷⁷

Except as noted below, all creation orders must be placed for one or more Creation Units and must be received by the Distributor in proper form no later than 4:00 p.m., Eastern Time, in each case on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form. Orders requesting substitution of a "cash in lieu" amount generally must be received by the Distributor no later than 2:00 p.m., Eastern Time on the Settlement Date. The "Settlement Date" is generally the third business day after the transmittal date. On days when the Exchange or the bond markets close earlier than normal, a Fund may require orders to create or to redeem Creation Units to be placed earlier in the day.

Fund Deposits must be delivered through the Federal Reserve System (for cash and government securities), through DTC (for corporate and municipal securities), or through a central depository account, such as with Euroclear or DTC, maintained by State Street or a sub-custodian (a "Central Depository Account") by an authorized participant. Any portion of a Fund Deposit that may not be delivered

through the Federal Reserve System or DTC must be delivered through a Central Depository Account. The Fund Deposit transfer must be ordered by the authorized participant in a timely fashion so as to ensure the delivery of the requisite number of Deposit Securities to the account of the Fund by no later than 3:00 p.m., Eastern Time, on the Settlement Date.

A standard creation transaction fee will be imposed to offset the transfer and other transaction costs associated with the issuance of Creation Units.

Shares of a Fund may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor and only on a business day. BFA will make available through the NSCC, prior to the opening of business on the Exchange on each business day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day ("Fund Securities"). Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units.

Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit generally will consist of a specified amount of cash, Fund Securities, plus additional cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a request in proper form, and the value of the specified amount of cash and Fund Securities, less a redemption transaction fee. Each Fund generally redeems Creation Units partially for cash.

A standard redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

Redemption requests for Creation Units of a Fund must be submitted to the Distributor by or through an authorized participant no later than 4:00 p.m. Eastern Time on any business day, in order to receive that day's NAV. The authorized participant must transmit the request for redemption in the form required by the Fund to the Distributor in accordance with procedures set forth in the authorized participant agreement.

Additional information regarding the Shares and each Fund, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of

the Shares can be found in the Registration Statement or on the Web site for the Funds (www.iShares.com), as applicable.

Availability of Information

The Funds' Web site, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each Fund that may be downloaded. The Web site will include additional quantitative information updated on a daily basis, including, for each Fund: (1) The prior business day's NAV and the market closing price or mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),⁷⁸ and a calculation of the premium or discount of the market closing price or 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 will 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 Web sites. On each business day, before commencement of trading in Shares during Regular Trading Hours⁷⁹ on the Exchange, each Fund will disclose on its Web site the identities and quantities of the portfolio of securities and other assets (the "Disclosed Portfolio") held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the business day.⁸⁰ The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities and other assets held by the Fund and the characteristics of such assets. The Web site and information will be publicly available at no charge.

⁷⁸ The Bid/Ask Price of the Fund will be determined using the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund or its service providers.

⁷⁹ As defined in Rule 1.5(w), the term "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

⁸⁰ Under accounting procedures to be followed by each Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, each Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

⁷⁷ The Adviser represents that, to the extent the Trust permits or requires a "cash in lieu" amount, such transactions will be effected in the same manner or in an equitable manner for all authorized participants.

In addition, for each Fund, an estimated value, defined in Bats Rule 14.11(i)(3)(C) as the "Intraday Indicative Value," that reflects an estimated intraday value of the Fund's portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the 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.⁸¹

The dissemination of the Intraday Indicative Value, together with the 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.

Intraday, executable price quotations on assets held by each Fund are available from major broker-dealer firms and for exchange-traded assets, including investment companies, such intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors. Pricing information for Repurchase Agreements and securities not listed on an exchange or national securities market will be available from major broker-dealer firms and/or subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available on the facilities of the CTA. Price information relating to all other securities held by the Funds will be available from major market data vendors. Quotations and last sale information for the underlying exchange traded investment companies will be available through CTA.

Initial and Continued Listing

The Shares will be subject to Bats Rule 14.11(i), which sets forth the initial

and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, each Fund must be in compliance with Rule 10A-3 under the Act.⁸² A minimum of 100,000 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 will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

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 each Fund. The Exchange will halt trading in the Shares under the conditions specified in Bats 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 Disclosed Portfolio of the 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(i)(4)(B)(iv), which sets forth circumstances under which trading in the 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. Bats [sic] will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in Bats Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares 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 Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange traded equity securities via the Intermarket Surveillance Group ("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.⁸³ 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").

As it relates to exchange traded investment companies, the Funds will only invest in investment companies that trade on markets that are a member of the 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 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) Bats 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-Opening⁸⁴ and After Hours Trading Sessions⁸⁵ 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

⁸¹ 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.

⁸² See 17 CFR 240.10A-3.

⁸³ 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.

⁸⁴ The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

⁸⁵ The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

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' Web site. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in each Fund's Registration Statement.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act⁸⁶ in general and Section 6(b)(5) of the Act⁸⁷ 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 in Bats Rule 14.11(i). 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. Bats Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such

investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio. The Adviser is not a registered broker-dealer, but is affiliated with multiple broker-dealers and has implemented "fire walls" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to a Fund's portfolio. In addition, Adviser personnel who make decisions regarding a Fund's portfolio are subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the Fund's portfolio. 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. In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to TRACE. Each Fund's investments will be well-diversified in that each Fund will hold a minimum of 40 different Municipal Securities diversified among issuers in at least 8 different states with no more than 30% of the Fund's assets comprised of Municipal Bonds that provide exposure to any single state; each Fund will hold a minimum of 75 different Municipal Securities when at least four creation units are outstanding for that Fund; each Fund will hold a minimum of 100 different Municipal Securities diversified among issuers in at least 20 different states when at least eight creation units are outstanding for that Fund; no single Municipal Security held by a Fund will exceed 4% of the weight of that Fund's portfolio and no single issuer of Municipal Securities will account for more than 10% of the weight of a Fund's portfolio; each Fund will hold Municipal Securities of at least 20 non-affiliated issuers; and each Fund will hold Municipal Securities of at least 30 non-affiliated issuers when at least four creation units are outstanding.

According to the Registration Statement, each Fund will invest, under normal circumstances,⁸⁸ at least 80% of its net assets in Municipal Securities such that the interest on each security is exempt from U.S. federal income taxes and the federal AMT. Additionally, each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at

the time of investment), as deemed illiquid by the Adviser⁸⁹ under the 1940 Act.⁹⁰ Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of the Fund's net assets are held in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, each Fund will disclose on its Web site the Disclosed Portfolio that will form the basis for the Fund's calculation of NAV at the end of the business day. Pricing information will include additional quantitative information updated on a daily basis, including, for the Fund: (1) The prior business day's NAV and the market closing price or mid-point of the

⁸⁹ See *supra* note 27.

⁹⁰ The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

⁸⁶ 15 U.S.C. 78f.

⁸⁷ 15 U.S.C. 78f(b)(5).

⁸⁸ See *supra* note 7.

Bid/Ask Price,⁹¹ and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily market closing price or Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. Additionally, information regarding market price and trading 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 for the Shares will be available on the facilities of the CTA. The Web site for each Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of a Fund will be halted under the conditions specified in Bats Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to Bats Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares may be halted. In addition, as noted above, investors will have ready access to information regarding the Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday, executable price quotations on assets held by the Funds are available from major broker-dealer firms and for exchange-traded assets, including investment companies, such that intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

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 an additional type of actively-managed exchange traded product 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 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, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to TRACE. As noted above, investors will also have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, 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 an additional actively-managed exchange-traded product 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 self-regulatory organization consents, the Commission will:

A. By order approve or disapprove the 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 email to rule-comments@sec.gov. Please include File Number SR-BatsBZX-2017-10 in 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-2017-10. This file number should be included in the subject line if email 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 Web site (<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 Web site 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 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-2017-10 and should be submitted on or before March 14, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹²

Eduardo A. Aleman,

Assistant Secretary.

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⁹¹ The Bid/Ask Price of a Fund will be determined using the highest bid and the lowest offer on the Exchange as of the time of calculation of the Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Fund or its service providers.

⁹² 17 CFR 200.30-3(a)(12).