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November 19, 2014

VIA E-MAIL

Kevin M. O'Neill
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: SR-NYSEArca-2014-114

Dear Mr. O'Neill:

NYSE Arca, Inc. filed the attached Amendment No. 1 to the above-referenced filing on November 18, 2014.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a long horizontal stroke.

Encl. (Amendment No. 1 to SR-NYSEArca-2014-114)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 56		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2014 - * 114 Amendment No. (req. for Amendments *) 1	
Filing by NYSE Arca Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input type="checkbox"/>		Amendment * <input checked="" type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Section 19(b)(2) * <input checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		Rule	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934		
Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>		Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
Description					
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).					
<input type="text"/>					
Contact Information					
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.					
First Name * Mike		Last Name * Cavalier			
Title * Chief Counsel					
E-mail * <input type="text"/>					
Telephone * <input type="text"/>		Fax <input type="text"/>			
Signature					
Pursuant to the requirements of the Securities Exchange Act of 1934,					
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.					
(Title *)					
Date 11/18/2014		Vice President			
By Sudhir Bhattacharyya		<input type="text"/>			
(Name *)					
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.					
<input type="button" value="Sudhir Bhattacharyya"/>					

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”), through its wholly-owned subsidiary NYSE Arca Equities, Inc. (“NYSE Arca Equities” or the “Corporation”), proposes to list and trade the following under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”): iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF; iShares Interest Rate Hedged 10+ Year Credit Bond ETF; and the iShares Interest Rate Hedged Emerging Markets Bond ETF.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change is being submitted to the Securities and Exchange Commission (“Commission”) by Exchange staff pursuant to authority delegated to it by the NYSE Arca Board of Directors and the NYSE Arca Equities Board of Directors.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Michael Cavalier
Chief Counsel
NYSE Group, Inc.
(██████████)

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

- (a) Purpose

The Exchange proposes to list and trade shares (“Shares”) of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Managed Fund Shares³: iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF; iShares Interest Rate Hedged 10+ Year Credit Bond ETF; and the iShares Interest Rate Hedged Emerging Markets Bond ETF (each, a “Fund” and collectively, the “Funds”). The Shares of the Funds will be offered by iShares U.S. ETF Trust (the “Trust”)⁴. The Trust is registered with the Commission as an open-end management investment company.⁵ BlackRock Fund Advisors (“BFA”) will serve as the investment adviser to the Funds (the “Adviser”). BFA is an indirect wholly-owned subsidiary of BlackRock, Inc. BlackRock Investments, LLC (the “Distributor”) will be the principal underwriter and distributor of the Funds’ Shares. State Street Bank and Trust Company (the

³ A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁴ The Commission has previously approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. *See, e.g.*, Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 72138 (May 9, 2014), 79 FR 27958 (May 15, 2014) (File No. SR-NYSEArca-2014-23) (order approving Exchange listing and trading of shares of the iShares Interest Rate Hedged Corporate Bond ETF and iShares Interest Rate Hedged High Yield Bond ETF).

⁵ The Trust is registered under the 1940 Act. On December 6, 2013, the Trust filed with the Commission a registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and under the 1940 Act relating to the iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF (“High Yield Bond Registration Statement”); iShares Interest Rate Hedged 10+ Year Credit Bond ETF (“Credit Bond Registration Statement”); and the iShares Interest Rate Hedged Emerging Markets Bond ETF (“Emerging Markets Bond Registration Statement” and, together with the High Yield Bond Registration Statement and the Credit Bond Registration Statement, the “Registration Statements”) (File Nos. 333-179904 and 811-22649). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statements. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. *See* Investment Company Act Release No. 29571 (File No. 812-13601) (“Exemptive Order”).

“Administrator”, “Custodian” or “Transfer Agent”) will serve as administrator, custodian and transfer agent for the Funds.⁶

Commentary .06 to Rule 8.600 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. Commentary .06 further requires that personnel who make decisions on the open-end fund’s portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund’s portfolio.⁷ Commentary .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 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 registered as a broker-dealer but is affiliated with multiple broker-dealers and has implemented a “fire wall” with respect to such broker-dealers regarding access to information concerning the composition and/or changes to a Fund’s portfolio. In the event (a) the Adviser registers as a broker-dealer or becomes newly affiliated with a 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 its broker-dealer affiliate regarding access to information concerning the composition and/or

⁶ This Amendment No. 1 to SR-NYSEArca-2014-114 replaces SR-NYSEArca-2014-114 as originally filed and supersedes such filing in its entirety.

⁷ 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.

changes to a portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF

According to the High Yield Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, high yield corporate bonds with remaining maturities of less than five years. The Fund will seek to achieve its investment objective by investing, under normal circumstances⁸, at least 80% of its net assets in U.S. dollar-denominated high yield corporate bonds with remaining maturities of less than five years, in one or more investment companies (exchange-traded and non-exchange-traded) that principally invest in high yield bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.⁹

According to the High Yield Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares 0-5 Year High Yield Corporate Bond ETF (the “Underlying High Yield Corporate Bond Fund”). The Fund will attempt to mitigate the interest rate risk primarily through the use of U.S. Treasury futures contracts, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also take short positions in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds¹⁰ futures. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement.¹¹

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying High Yield

⁸ The term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; 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.

⁹ Futures will be exchange traded, and swaps will be centrally cleared. All derivatives will be collateralized.

¹⁰ In the United States, the term “Federal Funds” means overnight loans between banks and other entities to maintain their bank reserves at the Federal Reserve. Federal Funds futures are based on the interest rate of Federal Funds loans.

¹¹ See note 29, *infra*.

Corporate Bond Fund, (ii) long positions in U.S. dollar-denominated high yield corporate bonds, (iii) long positions in U.S. Treasury securities and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying High Yield Corporate Bond Fund and to the high yield corporate bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying High Yield Corporate Bond Fund and the high yield corporate bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions will not be intended to mitigate other factors influencing the price of high yield bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same high yield bonds, the Fund's investment strategy is designed to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

iShares Interest Rate Hedged 10+ Year Credit Bond ETF

According to the Credit Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of investment-grade U.S. corporate bonds and U.S. dollar-denominated bonds, including those of non-U.S. corporations and governments, with remaining maturities greater than ten years. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in investment-grade U.S. corporate bonds and U.S. dollar-denominated bonds, including those of non-U.S. corporations and governments, with remaining maturities greater than ten years, in one or more investment companies (exchange-traded and non-exchange-traded) that principally invest in investment-grade bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.¹²

According to the Credit Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares 10+ Year Credit Bond ETF (the "Underlying Credit Bond Fund"). The Fund will attempt to mitigate the interest rate risk primarily through the use of U.S. Treasury futures contract, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also invest in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds futures. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying Credit

¹²

See note 9, supra.

Bond Fund, (ii) long positions in U.S. dollar-denominated investment-grade corporate bonds, (iii) long positions in U.S. Treasury securities, and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying Credit Bond Fund and to the investment-grade corporate bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying Credit Bond Fund and the investment-grade corporate bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions are not intended to mitigate other factors influencing the price of investment-grade bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same investment-grade bonds, the Fund's investment strategy is designed to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

iShares Interest Rate Hedged Emerging Markets Bond ETF

According to the Emerging Markets Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, emerging market bonds. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in U.S. dollar-denominated emerging market bonds, in one or more investment companies (exchange-traded and non-exchange-traded) that principally invest in emerging market bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.¹³

According to the Emerging Markets Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares J.P. Morgan USD Emerging Markets Bond ETF (the "Underlying Emerging Markets Bond Fund"). The Fund will attempt to mitigate the interest rate risk primarily through the use of U.S. Treasury futures contracts, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also take short positions in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds futures. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Underlying Emerging Markets Bond Fund may invest in non-U.S. securities, emerging markets securities and debt instruments.

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying Emerging Markets Bond Fund, (ii) long positions in U.S. dollar-denominated emerging

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See note 9, supra.

market bonds, (iii) long positions in U.S. Treasury securities, and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying Emerging Markets Bond Fund and to the emerging market bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying Emerging Markets Bond Fund and the emerging market bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions are not intended to mitigate other factors influencing the price of emerging market bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same emerging market bonds, the Fund's investment strategy is designed to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

Other Investments

While each Fund, under normal circumstances, will invest at least 80% of its net assets in its investments as described above, a Fund may directly invest in certain other investments, as described below. The Funds may temporarily depart from its normal investment process¹⁴, provided that the alternative, in the opinion of BFA, is consistent with a Fund's investment objective and is in the best interest of a Fund. However, BFA will not seek to actively time market movements.

Each Fund may invest in repurchase and reverse repurchase agreements. A repurchase agreement is an instrument under which the purchaser (*i.e.*, a Fund or an "Underlying Fund"¹⁵) acquires the security and the seller agrees, at the time of the sale, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period. Reverse 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.

Each Fund may invest in money market instruments on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally

¹⁴ Circumstances under which a Fund may temporarily depart from its normal investment process include, but are not limited to, extreme volatility or trading halts in the equity markets or the financial markets generally; 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.

¹⁵ Each of the Underlying High Yield Corporate Bond Fund, Underlying Credit Bond Fund, and Underlying Emerging Markets Bond Fund, are referred to herein as an "Underlying Fund," or, collectively, the "Underlying Funds".

short-term investments that may include but are not limited to: (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 rated, at the date of purchase, “Prime-1” by Moody's® Investors Service, Inc., “F-1” by Fitch Inc., or “A-1” by Standard & Poor's® (“S&P®”), or if unrated, of comparable quality as determined by BFA; (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 a Fund. Any of these instruments may be purchased on a current or forward-settled basis. Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates.

A Fund may invest in options that are traded on a U.S. or non-U.S. exchange and that reference U.S. Treasury securities. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

A Fund or the Underlying Funds may invest in debt securities of non-U.S. issuers and may invest in privately-issued debt securities.

Investment Restrictions

A Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance.¹⁶ Each Fund will monitor its portfolio liquidity on an ongoing basis to determine

¹⁶ 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 in which it 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).

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 a Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.¹⁷

Each Fund will be classified as a "diversified" investment company under the 1940 Act.¹⁸

Each Fund will not purchase the securities of issuers conducting their principal business activity in the same industry if, immediately after the purchase and as a result thereof, the value of a Fund's investments in that industry would equal or exceed 25% of the current value of a Fund's total assets, provided that this restriction does not limit a Fund's: (i) investments in securities of other investment companies; (ii) investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; (iii) investments in securities of state, territory, possession or municipal governments and their authorities, agencies, instrumentalities or political subdivisions; or (iv) investments in repurchase agreements collateralized by any such obligations.¹⁹

¹⁷ 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).

¹⁸ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

¹⁹ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one

Each Fund intends to qualify for and to elect treatment as a separate regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code.²⁰

Each Fund’s investments will be consistent with its investment objective.

The Shares

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Funds will be in compliance with Rule 10A-3²¹ under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for 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 net asset value (“NAV”) per Share of each Fund will be calculated daily and that the NAV and the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600(c)(2) will be made available to all market participants at the same time.

Creation and Redemption of Shares

According to the Registration Statements, each Fund will issue and redeem Shares on a continuous basis at NAV only in large specified numbers of Shares called a “Creation Unit”.

The consideration for purchase of Creation Units of each 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 (as defined below) computed as described below. Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit,” which will be applicable (subject to possible amendment or correction) to creation requests received in proper form. The Fund Deposit represents the minimum initial and subsequent investment amount for a Creation Unit of a 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 is an amount equal to the market value of the Deposit Securities, and serves to compensate for any differences between the NAV per Creation Unit and the Deposit Amount.

industry. *See, e.g.*, Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

²⁰ 26 U.S.C. 851 *et seq.*

²¹ 17 CFR 240.10A-3.

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 applicable Fund. Such Fund Deposit is applicable, subject to any adjustments as described below, in order to effect purchases of Creation Units of Shares of a Fund until such time as the next-announced Fund Deposit is made available.

The identity and number or par value of the Deposit Securities may change pursuant to changes in the composition of a Fund’s portfolio and 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 component securities constituting a Fund’s portfolio.

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 Fund 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 such 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 through the continuous net settlement system of the NSCC. Each Fund also reserves the right to permit or require a “cash in lieu” amount in certain other circumstances, including circumstances in which (i) the delivery of the Deposit Security by the authorized participant would be restricted under applicable securities laws or (ii) the delivery of the Deposit Security to the authorized participant would result in the disposition of the Deposit Security by the authorized participant becoming restricted under applicable securities laws, or in certain other situations. 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.

Creation Units may be purchased only by or through a DTC participant that has entered into an authorized participant agreement (as described in the Registration Statements) with the Distributor. 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 the closing time of the regular trading session of the Exchange (normally 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 a 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 4:00 p.m., Eastern time. On days when the Exchange or other markets close earlier than normal, a Fund may require orders to create Creation Units to be placed earlier in the day. A Fund may also require orders to create Creation Units to be placed earlier in the day, as approved by the Trust's Board of Directors ("Board") and as disclosed to investors. 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 currently will redeem Shares for Fund Securities, but each Fund reserves the right to utilize a "cash" option for redemption of Shares.

A standard redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by a 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 (or such earlier time as approved by the Board and as disclosed to investors), in order to receive that day's NAV. The authorized participant must transmit the request for redemption in the form required by a Fund to the Distributor in accordance with procedures set forth in the authorized participant agreement.

Determination of Net Asset Value

According to the Registration Statements, the NAV of each Fund normally will be determined once each business day, generally as of the regularly scheduled close of business of the New York Stock Exchange ("NYSE") (normally 4:00 p.m., Eastern time) on each day that the NYSE is open for trading, based on prices at the time of closing, provided that (a) any Fund assets or liabilities denominated in currencies other than the U.S. dollar will be translated into U.S. dollars at the prevailing market rates on the date of valuation as quoted by one or more data

service providers, and (b) U.S. fixed-income assets may be valued as of the announced closing time for trading in fixed-income instruments in a particular market or exchange. The NAV of each Fund may be determined, and the Underlying Funds may be valued, at such earlier time as approved by the Fund's Board of Trustees ("Board") and as disclosed to investors. The NAV per Share of each Fund will be calculated by dividing the value of the net assets of each Fund (*i.e.*, the value of its total assets less total liabilities) by the total number of outstanding Shares of a Fund, generally rounded to the nearest cent.

The value of the securities and other assets and liabilities held by each Fund will be determined pursuant to valuation policies and procedures approved by the Board.

Except as described below, each Fund will value fixed-income portfolio securities, including money market instruments and U.S. government 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. Certain money market instruments with maturities of 60 days or less will generally be valued on the basis of amortized cost. Repurchase agreements and reverse repurchase agreements generally will be valued at par.

Exchange-traded options generally will be valued at the mean of the last bid and ask prices as quoted on the exchange or the board of trade on which such options are traded. Futures contracts, including U.S. Treasury futures contracts, will be valued at their last sale price or settle price as of the close of the applicable exchange.

Swap agreements and other derivatives will generally be valued based upon quotations from market makers or by a pricing service in accordance with valuation procedures approved by the Board.

Investments in other investment companies will be valued using market valuations. Investment companies that are exchange traded will generally be valued using the last reported official closing price or last trading price on the exchange or other market on which the fund is primarily traded at the time of valuation. Investment companies that are not exchange traded will be valued at their net asset value.

Generally, trading in U.S. Treasury futures, non-U.S. securities, U.S. government securities, money market instruments and certain fixed-income securities is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the NAV of each Fund will be determined as of such times.

When market quotations are not readily available or are believed by BFA to be unreliable, each Fund's investments will be valued at fair value. Fair value

determinations will be made by BFA in accordance with policies and procedures approved by the Trust's Board. BFA may conclude that a market quotation is not readily available or is unreliable if a security or other asset or liability does not have a price source due to its lack of liquidity, if a market quotation differs significantly from recent price quotations or otherwise no longer appears to reflect fair value, where the security or other asset or liability is thinly traded, or where there is a significant event subsequent to the most recent market quotation. 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 a Fund.

Availability of Information

The Funds' website (www.ishares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for a Fund that may be downloaded. The Funds' website will include additional quantitative information updated on a daily basis, including, for the Funds, (1) the prior business day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),²² and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, each Fund will disclose on its website the Disclosed Portfolio that will form the basis for such Fund's calculation of NAV at the end of the business day.²³

The Fund's disclosure of derivative positions in the Disclosed Portfolio will include information that market participants can use to value these positions intraday. On a daily basis, the Fund will disclose on the Fund's website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, if any, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security or other asset or instrument underlying the holding²⁴, if any; for options, the option strike price; quantity held (as measured

²² The Bid/Ask Price of each Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund's NAV. The records relating to Bid/Ask Prices will be retained by the Funds and their service providers.

²³ Under accounting procedures followed by the Funds, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, the Funds 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.

²⁴ Derivatives that reference or allow delivery of more than one asset, such as U.S.

by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; market value of the holding; and the percentage weighting of the holding in the Fund's portfolio. The website information will be publicly available at no charge.

In addition, a basket composition file, which includes the security names and share quantities required to be delivered in exchange for each Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the NYSE via NSCC. The basket represents one Creation Unit of a Fund.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), each Fund's Shareholder Reports, and the Trust's Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding 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 of each Fund and the shares of the Underlying Funds and any exchange-traded funds held by each Fund will be available via the Consolidated Tape Association ("CTA") high-speed line. Quotation and last sale information for U.S. exchange-listed options contracts cleared by the Options Clearing Corporation will be available via the Options Price Reporting Authority. In addition, the Indicative Optimized Portfolio Value ("IOPV"),²⁵ which is the Portfolio Indicative Value as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.²⁶ The dissemination of the IOPV, together with the Disclosed Portfolio,

²⁵ Treasury futures, will name the underlying asset generically. According to the Registration Statements, the IOPV calculations will be estimates of the value of each Fund's NAV per Share using market data converted into U.S. dollars at the current currency rates. The IOPV price will be based on quotes and closing prices from the securities' local market and may not reflect events that occur subsequent to the local market's close. Premiums and discounts between the IOPV and the market price may occur. This should not be viewed as a "real-time" update of the NAV per Share of the Funds, which will be calculated only once a day. The quotations of certain Fund holdings may not be updated during U.S. trading hours if such holdings do not trade in the United States.

²⁶ Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available IOPVs taken from CTA or other data feeds.

will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and to provide a close estimate of that value throughout the trading day. The intra-day, closing and settlement prices of exchange-traded portfolio assets, including investment company securities, futures and options will be readily available from the securities exchanges and futures exchanges trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. Such price information on fixed income portfolio securities, including money market instruments, and other Fund assets traded in over-the-counter markets including bonds and money market instruments is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds.²⁷ Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of a Fund may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. Eastern time in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

Surveillance

²⁷

See NYSE Arca Equities Rule 7.12.

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

The Exchange’s current trading surveillance focuses on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, The Exchange may obtain information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from ISG member markets or markets with which the Exchange has in place a comprehensive surveillance sharing agreement.²⁹ In addition, FINRA, on behalf of 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”).

With respect to its exchange-traded equity securities investments, a Fund will invest only in equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the ISG or

²⁸ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

²⁹ 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 a Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit (“ETP”) Holders in an Information Bulletin (“Bulletin”) of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (4) how information regarding the IOPV and Disclosed Portfolio for a Fund is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that each Fund is subject to various fees and expenses described in the Registration Statements. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. Eastern time each trading day.

(b) Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)³⁰ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market 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 NYSE Arca Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Adviser has implemented a “fire wall” with respect to its affiliated broker-dealers regarding access to information

³⁰

15 U.S.C. 78f(b)(5).

concerning the composition and/or changes to a Fund's portfolio. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares of the Funds as well as underlying equity securities, futures and options contracts from ISG member markets or markets with which the Exchange has in place a comprehensive surveillance sharing agreement. A Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser. With respect to its exchange-traded equity securities investments, a Fund will invest only in equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

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 of each Fund will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund 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 IOPV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Funds will disclose on their website the Disclosed Portfolio that will form the basis for a Fund's calculation of NAV at the end of the business day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Funds will include a form of the prospectus for the Funds and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of a Fund may be halted. In addition, as noted above,

investors will have ready access to information regarding a Fund's holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding a Fund's holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares. The proposed rule change would benefit investors by providing them with additional choices of transparent and tradable products.

4. 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 other actively-managed exchange-traded products that hold fixed income securities and will enhance competition among market participants, to the benefit of investors and the marketplace.

5. 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.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange requests the Commission to find good cause to accelerate

effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Act and to approve the proposed rule change prior to the 30th day after publication of the proposed rule change in the Federal Register. The Exchange believes there is good cause to grant expedited review and accelerated effectiveness of this proposal because the issues raised are similar to those raised in the proposed rule change approved by the Commission relating to listing and trading of other issues of Managed Fund Shares on the Exchange.³¹

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 - Form of Notice of Proposed Rule Change for Federal Register

³¹

See note 4, supra.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEARCA-2014-114)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of Shares of the iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF; iShares Interest Rate Hedged 10+ Year Credit Bond ETF; and the iShares Interest Rate Hedged Emerging Markets Bond ETF under NYSE Arca Equities Rule 8.600.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on November 18, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade the following under NYSE Arca Equities Rule 8.600 (“Managed Fund Shares”): iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF; iShares Interest Rate Hedged 10+ Year Credit Bond ETF; and the iShares Interest Rate Hedged Emerging Markets Bond ETF. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the following under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares⁴: iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF; iShares Interest Rate Hedged 10+ Year Credit Bond ETF; and the iShares Interest Rate Hedged Emerging Markets Bond ETF (each, a “Fund” and collectively, the “Funds”). The Shares of the Funds will be offered by iShares U.S. ETF Trust (the “Trust”)⁵. The Trust is registered

⁴ A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁵ The Commission has previously approved listing and trading on the Exchange of a number of actively managed funds under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008)

with the Commission as an open-end management investment company.⁶ BlackRock Fund Advisors (“BFA”) will serve as the investment adviser to the Funds (the “Adviser”). BFA is an indirect wholly-owned subsidiary of BlackRock, Inc. BlackRock Investments, LLC (the “Distributor”) will be the principal underwriter and distributor of the Funds’ Shares. State Street Bank and Trust Company (the “Administrator”, “Custodian” or “Transfer Agent”) will serve as administrator, custodian and transfer agent for the Funds.⁷

Commentary .06 to Rule 8.600 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

(SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 72138 (May 9, 2014), 79 FR 27958 (May 15, 2014) (File No. SR-NYSEArca-2014-23) (order approving Exchange listing and trading of shares of the iShares Interest Rate Hedged Corporate Bond ETF and iShares Interest Rate Hedged High Yield Bond ETF).

⁶ The Trust is registered under the 1940 Act. On December 6, 2013, the Trust filed with the Commission a registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and under the 1940 Act relating to the iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF (“High Yield Bond Registration Statement”); iShares Interest Rate Hedged 10+ Year Credit Bond ETF (“Credit Bond Registration Statement”); and the iShares Interest Rate Hedged Emerging Markets Bond ETF (“Emerging Markets Bond Registration Statement” and, together with the High Yield Bond Registration Statement and the Credit Bond Registration Statement, the “Registration Statements”) (File Nos. 333-179904 and 811-22649). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statements. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 29571 (File No. 812-13601) (“Exemptive Order”).

⁷ This Amendment No. 1 to SR-NYSEArca-2014-114 replaces SR-NYSEArca-2014-114 as originally filed and supersedes such filing in its entirety.

changes to such investment company portfolio. Commentary .06 further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund's portfolio.⁸ Commentary .06 to Rule 8.600 is similar to Commentary .03(a)(i) and (iii) to NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .06 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 registered as a broker-dealer but is affiliated with multiple broker-dealers and has implemented a "fire wall" with respect to such broker-dealers regarding access to information concerning the composition and/or changes to a Fund's portfolio. In the event (a) the Adviser registers as a broker-dealer or becomes newly affiliated with a 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

⁸ 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.

relevant personnel or its broker-dealer affiliate regarding access to information concerning the composition and/or changes to a portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

iShares Interest Rate Hedged 0-5 Year High Yield Bond ETF

According to the High Yield Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, high yield corporate bonds with remaining maturities of less than five years. The Fund will seek to achieve its investment objective by investing, under normal circumstances⁹, at least 80% of its net assets in U.S. dollar-denominated high yield corporate bonds with remaining maturities of less than five years, in one or more investment companies (exchange-traded and non-exchange-traded) that principally invest in high yield bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.¹⁰

According to the High Yield Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares 0-5 Year High Yield Corporate Bond ETF (the “Underlying High Yield Corporate Bond Fund”). The Fund will attempt to mitigate the interest rate risk primarily through the use

⁹ The term “under normal circumstances” includes, but is not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; 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.

¹⁰ Futures will be exchange traded, and swaps will be centrally cleared. All derivatives will be collateralized.

of U.S. Treasury futures contracts, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also take short positions in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds¹¹ futures. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the Intermarket Surveillance Group (“ISG”) or with which the Exchange has in place a comprehensive surveillance sharing agreement.¹²

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying High Yield Corporate Bond Fund, (ii) long positions in U.S. dollar-denominated high yield corporate bonds, (iii) long positions in U.S. Treasury securities and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying High Yield Corporate Bond Fund and to the high yield corporate bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying High Yield Corporate Bond Fund and the high yield corporate bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions will not be intended to mitigate other factors influencing the price of high yield bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same high yield bonds, the Fund’s investment strategy is designed

¹¹ In the United States, the term “Federal Funds” means overnight loans between banks and other entities to maintain their bank reserves at the Federal Reserve. Federal Funds futures are based on the interest rate of Federal Funds loans.

¹² See note 30, infra.

to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

iShares Interest Rate Hedged 10+ Year Credit Bond ETF

According to the Credit Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of investment-grade U.S. corporate bonds and U.S. dollar-denominated bonds, including those of non-U.S. corporations and governments, with remaining maturities greater than ten years. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in investment-grade U.S. corporate bonds and U.S. dollar-denominated bonds, including those of non-U.S. corporations and governments, with remaining maturities greater than ten years, in one or more investment companies (exchange-traded and non-exchange-traded) that principally invest in investment-grade bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.¹³

According to the Credit Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares 10+ Year Credit Bond ETF (the “Underlying Credit Bond Fund”). The Fund will attempt to mitigate the interest rate risk primarily through the use of U.S. Treasury futures contract, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also invest in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds futures. The Fund will invest only in futures contracts that are traded

¹³ See note 10, *supra*.

on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying Credit Bond Fund, (ii) long positions in U.S. dollar-denominated investment-grade corporate bonds, (iii) long positions in U.S. Treasury securities, and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying Credit Bond Fund and to the investment-grade corporate bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying Credit Bond Fund and the investment-grade corporate bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions are not intended to mitigate other factors influencing the price of investment-grade bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same investment-grade bonds, the Fund's investment strategy is designed to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

iShares Interest Rate Hedged Emerging Markets Bond ETF

According to the Emerging Markets Bond Registration Statement, the Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, emerging market bonds. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in U.S. dollar-denominated emerging market bonds, in one or more investment companies (exchange-

traded and non-exchange-traded) that principally invest in emerging market bonds, in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps.¹⁴

According to the Emerging Markets Bond Registration Statement, the Fund intends to initially invest a substantial portion of its assets in one underlying fund, the iShares J.P. Morgan USD Emerging Markets Bond ETF (the “Underlying Emerging Markets Bond Fund”). The Fund will attempt to mitigate the interest rate risk primarily through the use of U.S. Treasury futures contracts, which are a type of interest rate futures contracts, and interest rate swaps. The Fund may also take short positions in other interest rate futures contracts, including but not limited to, Eurodollar and Federal Funds futures. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Underlying Emerging Markets Bond Fund may invest in non-U.S. securities, emerging markets securities and debt instruments.

BFA will utilize a model-based proprietary investment process to assemble an investment portfolio comprised of (i) long positions in the Underlying Emerging Markets Bond Fund, (ii) long positions in U.S. dollar-denominated emerging market bonds, (iii) long positions in U.S. Treasury securities, and (iv) short positions in U.S. Treasury futures, other interest rate futures contracts, and interest rate swaps. The short positions are expected to have, in the aggregate, approximately equivalent duration to the underlying securities in the Underlying Emerging Markets Bond Fund and to the

¹⁴ See note 10, *supra*.

emerging market bonds. By taking these short positions, BFA will seek to mitigate the potential impact of rising interest rates on the performance of the Underlying Emerging Markets Bond Fund and the emerging market bonds (conversely also limiting the potential positive impact of falling interest rates). The short positions are not intended to mitigate other factors influencing the price of emerging market bonds, such as credit risk, which may have a greater impact than rising or falling interest rates. Relative to a long-only investment in the same emerging market bonds, the Fund's investment strategy is designed to outperform in a rising interest rate environment and underperform in a falling interest rate environment.

Other Investments

While each Fund, under normal circumstances, will invest at least 80% of its net assets in its investments as described above, a Fund may directly invest in certain other investments, as described below. The Funds may temporarily depart from its normal investment process¹⁵, provided that the alternative, in the opinion of BFA, is consistent with a Fund's investment objective and is in the best interest of a Fund. However, BFA will not seek to actively time market movements.

Each Fund may invest in repurchase and reverse repurchase agreements. A repurchase agreement is an instrument under which the purchaser (i.e., a Fund or an

¹⁵ Circumstances under which a Fund may temporarily depart from its normal investment process include, but are not limited to, extreme volatility or trading halts in the equity markets or the financial markets generally; 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.

“Underlying Fund”¹⁶) acquires the security and the seller agrees, at the time of the sale, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the purchaser’s holding period. Reverse 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.

Each Fund may invest in money market instruments on an ongoing basis to provide liquidity or for other reasons. Money market instruments are generally short-term investments that may include but are not limited to: (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 rated, at the date of purchase, “Prime-1” by Moody's® Investors Service, Inc., “F-1” by Fitch Inc., or “A-1” by Standard & Poor's® (“S&P®”), or if unrated, of comparable quality as determined by BFA; (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 a Fund. Any of these instruments may be

¹⁶ Each of the Underlying High Yield Corporate Bond Fund, Underlying Credit Bond Fund, and Underlying Emerging Markets Bond Fund, are referred to herein as an “Underlying Fund,” or, collectively, the “Underlying Funds”.

purchased on a current or forward-settled basis. Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates.

A Fund may invest in options that are traded on a U.S. or non-U.S. exchange and that reference U.S. Treasury securities. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

A Fund or the Underlying Funds may invest in debt securities of non-U.S. issuers and may invest in privately-issued debt securities.

Investment Restrictions

A Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, consistent with Commission guidance.¹⁷ 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

¹⁷ 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 in which it 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).

values, net assets, or other circumstances, more than 15% of a Fund's net assets are held in illiquid assets. Illiquid assets include assets subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.¹⁸

Each Fund will be classified as a "diversified" investment company under the 1940 Act.¹⁹

Each Fund will not purchase the securities of issuers conducting their principal business activity in the same industry if, immediately after the purchase and as a result thereof, the value of a Fund's investments in that industry would equal or exceed 25% of the current value of a Fund's total assets, provided that this restriction does not limit a Fund's: (i) investments in securities of other investment companies; (ii) investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; (iii) investments in securities of state, territory, possession or municipal governments and

¹⁸ 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).

¹⁹ The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

their authorities, agencies, instrumentalities or political subdivisions; or (iv) investments in repurchase agreements collateralized by any such obligations.²⁰

Each Fund intends to qualify for and to elect treatment as a separate regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code.²¹

Each Fund’s investments will be consistent with its investment objective.

The Shares

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.600. The Exchange represents that, for initial and/or continued listing, the Funds will be in compliance with Rule 10A-3²² under the Act, as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares for 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 net asset value (“NAV”) per Share of each Fund will be calculated daily and that the NAV and the Disclosed Portfolio as defined in NYSE Arca Equities Rule 8.600(c)(2) will be made available to all market participants at the same time.

Creation and Redemption of Shares

According to the Registration Statements, each Fund will issue and redeem Shares on a continuous basis at NAV only in large specified numbers of Shares called a “Creation Unit”.

²⁰ See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

²¹ 26 U.S.C. 851 et seq.

²² 17 CFR 240.10A-3.

The consideration for purchase of Creation Units of each 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 (as defined below) computed as described below. Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit,” which will be applicable (subject to possible amendment or correction) to creation requests received in proper form. The Fund Deposit represents the minimum initial and subsequent investment amount for a Creation Unit of a 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 is an amount equal to the market value of the Deposit Securities, and serves to compensate for any differences between the NAV per Creation Unit and the Deposit Amount.

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 applicable Fund. Such Fund Deposit is applicable, subject to any adjustments as described below, in order to effect purchases of Creation Units of Shares of a Fund until such time as the next-announced Fund Deposit is made available.

The identity and number or par value of the Deposit Securities may change pursuant to changes in the composition of a Fund’s portfolio and 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 component securities constituting a Fund's portfolio.

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 Fund 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 such 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 through the continuous net settlement system of the NSCC. Each Fund also reserves the right to permit or require a "cash in lieu" amount in certain other circumstances, including circumstances in which (i) the delivery of the Deposit Security by the authorized participant would be restricted under applicable securities laws or (ii) the delivery of the Deposit Security to the authorized participant would result in the disposition of the Deposit Security by the authorized participant becoming restricted under applicable securities laws, or in certain other situations. 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.

Creation Units may be purchased only by or through a DTC participant that has entered into an authorized participant agreement (as described in the Registration Statements) with the Distributor. 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 the closing time of the regular trading session of the Exchange (normally 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 a 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 4:00 p.m., Eastern time. On days when the Exchange or other markets close earlier than normal, a Fund may require orders to create Creation Units to be placed earlier in the day. A Fund may also require orders to create Creation Units to be placed earlier in the day, as approved by the Trust’s Board of Directors (“Board”) and as disclosed to investors. 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 currently will redeem Shares for Fund Securities, but each Fund reserves the right to utilize a “cash” option for redemption of Shares.

A standard redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by a 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 (or such earlier time as approved by the Board and as disclosed to investors), in order to receive that day’s NAV. The authorized participant must transmit the request for redemption in the form required by a Fund to the Distributor in accordance with procedures set forth in the authorized participant agreement.

Determination of Net Asset Value

According to the Registration Statements, the NAV of each Fund normally will be determined once each business day, generally as of the regularly scheduled close of business of the New York Stock Exchange (“NYSE”) (normally 4:00 p.m., Eastern time) on each day that the NYSE is open for trading, based on prices at the time of closing, provided that (a) any Fund assets or liabilities denominated in currencies other than the U.S. dollar will be translated into U.S. dollars at the prevailing market rates on the date of valuation as quoted by one or more data service providers, and (b) U.S. fixed-income assets may be valued as of the announced closing time for trading in fixed-income instruments in a particular market or exchange. The NAV of each Fund may be determined, and the Underlying Funds may be valued, at such earlier time as approved by

the Fund's Board of Trustees ("Board") and as disclosed to investors. The NAV per Share of each Fund will be calculated by dividing the value of the net assets of each Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding Shares of a Fund, generally rounded to the nearest cent.

The value of the securities and other assets and liabilities held by each Fund will be determined pursuant to valuation policies and procedures approved by the Board.

Except as described below, each Fund will value fixed-income portfolio securities, including money market instruments and U.S. government 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. Certain money market instruments with maturities of 60 days or less will generally be valued on the basis of amortized cost. Repurchase agreements and reverse repurchase agreements generally will be valued at par.

Exchange-traded options generally will be valued at the mean of the last bid and ask prices as quoted on the exchange or the board of trade on which such options are traded. Futures contracts, including U.S. Treasury futures contracts, will be valued at their last sale price or settle price as of the close of the applicable exchange.

Swap agreements and other derivatives will generally be valued based upon quotations from market makers or by a pricing service in accordance with valuation procedures approved by the Board.

Investments in other investment companies will be valued using market valuations. Investment companies that are exchange traded will generally be valued

using the last reported official closing price or last trading price on the exchange or other market on which the fund is primarily traded at the time of valuation. Investment companies that are not exchange traded will be valued at their net asset value.

Generally, trading in U.S. Treasury futures, non-U.S. securities, U.S. government securities, money market instruments and certain fixed-income securities is substantially completed each day at various times prior to the close of business on the NYSE. The values of such securities used in computing the NAV of each Fund will be determined as of such times.

When market quotations are not readily available or are believed by BFA to be unreliable, each Fund's investments will be valued at fair value. Fair value determinations will be made by BFA in accordance with policies and procedures approved by the Trust's Board. BFA may conclude that a market quotation is not readily available or is unreliable if a security or other asset or liability does not have a price source due to its lack of liquidity, if a market quotation differs significantly from recent price quotations or otherwise no longer appears to reflect fair value, where the security or other asset or liability is thinly traded, or where there is a significant event subsequent to the most recent market quotation. 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 a Fund.

Availability of Information

The Funds' website (www.ishares.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for a Fund that may be downloaded. The Funds' website will include additional quantitative information updated on a daily basis, including, for the Funds, (1) the prior business day's reported

closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the “Bid/Ask Price”),²³ and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, each Fund will disclose on its website the Disclosed Portfolio that will form the basis for such Fund’s calculation of NAV at the end of the business day.²⁴

The Fund’s disclosure of derivative positions in the Disclosed Portfolio will include information that market participants can use to value these positions intraday. On a daily basis, the Fund will disclose on the Fund’s website the following information regarding each portfolio holding, as applicable to the type of holding: ticker symbol, if any, CUSIP number or other identifier, if any; a description of the holding (including the type of holding, such as the type of swap); the identity of the security or other asset or instrument underlying the holding²⁵, if any; for options, the option strike price; quantity held (as measured by, for example, par value, notional value or number of shares, contracts or units); maturity date, if any; coupon rate, if any; market value of the holding;

²³ The Bid/Ask Price of each Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund’s NAV. The records relating to Bid/Ask Prices will be retained by the Funds and their service providers.

²⁴ Under accounting procedures followed by the Funds, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, the Funds 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.

²⁵ Derivatives that reference or allow delivery of more than one asset, such as U.S. Treasury futures, will name the underlying asset generically.

and the percentage weighting of the holding in the Fund's portfolio. The website information will be publicly available at no charge.

In addition, a basket composition file, which includes the security names and share quantities required to be delivered in exchange for each Fund's Shares, together with estimates and actual cash components, will be publicly disseminated daily prior to the opening of the NYSE via NSCC. The basket represents one Creation Unit of a Fund.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), each Fund's Shareholder Reports, and the Trust's Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding 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 of each Fund and the shares of the Underlying Funds and any exchange-traded funds held by each Fund will be available via the Consolidated Tape Association ("CTA") high-speed line. Quotation and last sale information for U.S. exchange-listed options contracts cleared by the Options Clearing Corporation will be available via the Options Price Reporting Authority. In addition, the Indicative Optimized Portfolio Value ("IOPV"),²⁶

²⁶ According to the Registration Statements, the IOPV calculations will be estimates of the value of each Fund's NAV per Share using market data converted into U.S. dollars at the current currency rates. The IOPV price will be based on quotes and

which is the Portfolio Indicative Value as defined in NYSE Arca Equities Rule 8.600 (c)(3), will be widely disseminated at least every 15 seconds during the Core Trading Session by one or more major market data vendors.²⁷ The dissemination of the IOPV, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and to provide a close estimate of that value throughout the trading day. The intra-day, closing and settlement prices of exchange-traded portfolio assets, including investment company securities, futures and options will be readily available from the securities exchanges and futures exchanges trading such securities and futures, as the case may be, automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters. Such price information on fixed income portfolio securities, including money market instruments, and other Fund assets traded in over-the-counter markets including bonds and money market instruments is available from major broker-dealer firms or market data vendors, as well as from automated quotation systems, published or other public sources, or online information services.

closing prices from the securities' local market and may not reflect events that occur subsequent to the local market's close. Premiums and discounts between the IOPV and the market price may occur. This should not be viewed as a "real-time" update of the NAV per Share of the Funds, which will be calculated only once a day. The quotations of certain Fund holdings may not be updated during U.S. trading hours if such holdings do not trade in the United States.

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

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds.²⁸ Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the Disclosed Portfolio of a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of a Fund may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4:00 a.m. to 8:00 p.m. Eastern time in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for order entry is \$0.0001.

²⁸ See NYSE Arca Equities Rule 7.12.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing surveillance procedures administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.²⁹ The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The Exchange’s current trading surveillance focuses on detecting securities trading outside their normal patterns. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, The Exchange may obtain information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from ISG member markets or markets with which the Exchange has

²⁹ FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

in place a comprehensive surveillance sharing agreement.³⁰ In addition, FINRA, on behalf of 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").

With respect to its exchange-traded equity securities investments, a Fund will invest only in equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement. The Fund will invest only in futures contracts that are traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Unit aggregations (and that Shares are not individually redeemable); (2) NYSE

³⁰ 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 a Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated IOPV will not be calculated or publicly disseminated; (4) how information regarding the IOPV and Disclosed Portfolio for a Fund is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that each Fund is subject to various fees and expenses described in the Registration Statements. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m. Eastern time each trading day.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)³¹ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market 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 NYSE Arca

³¹ 15 U.S.C. 78f(b)(5).

Equities Rule 8.600. The Exchange has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Adviser has implemented a “fire wall” with respect to its affiliated broker-dealers regarding access to information concerning the composition and/or changes to a Fund’s portfolio. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares of the Funds as well as underlying equity securities, futures and options contracts from ISG member markets or markets with which the Exchange has in place a comprehensive surveillance sharing agreement. A Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser. With respect to its exchange-traded equity securities investments, a Fund will invest only in equity securities that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange. To the extent that a Fund invests in options, not more than 10% of such investment would be in options whose principal trading market is not a member of ISG or is a market with which the Exchange does not have a comprehensive surveillance sharing agreement.

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 of each Fund will be calculated daily and that the NAV and the Disclosed Portfolio for each Fund 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 IOPV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. On each business day, before commencement of trading in Shares in the Core Trading Session on the Exchange, the Funds will disclose on their website the Disclosed Portfolio that will form the basis for a Fund's calculation of NAV at the end of the business day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Funds will include a form of the prospectus for the Funds and additional data relating to NAV and other applicable quantitative information. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Equities Rule 8.600(d)(2)(D), which sets forth circumstances under which Shares of a

Fund may be halted. In addition, as noted above, investors will have ready access to information regarding a Fund's holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of additional types of actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares of the Funds, exchange-traded equity securities, futures and options contracts from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding a Fund's holdings, the IOPV, the Disclosed Portfolio, and quotation and last sale information for the Shares. The proposed rule change would benefit investors by providing them with additional choices of transparent and tradable products.

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 other actively-managed exchange-traded products that hold fixed income securities and 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

No written comments were solicited or received with respect to 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 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2014-114 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEARCA-2014-114. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet website at www.nyse.com. 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-NYSEARCA-2014-114 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Kevin M. O'Neill
Deputy Secretary

³² 17 CFR 200.30-3(a)(12).