



Martha Redding  
Senior Counsel  
Assistant Secretary

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11 Wall Street  
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April 14, 2015

**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-2015-25

Dear Mr. O'Neill:

NYSE Arca, Inc. filed the attached Amendment No. 1 to the above-referenced filing on April 14, 2015.

Sincerely,

A handwritten signature in blue ink, appearing to be "M. Redding", written in a cursive style.

Encl. (Amendment No. 1 to SR-NYSEArca-2015-25)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 59      SECURITIES AND EXCHANGE COMMISSION      File No.\* SR - 2015 - \* 25  
 WASHINGTON, D.C. 20549      Form 19b-4      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"/>	Rule <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)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
 Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
 Proposed Rule Change Relating to Listing and Trading of Shares of the iShares iBonds Dec 2021 AMT Free Muni Bond ETF and iShares iBonds Dec 2022 AMT Free Muni Bond ETF under NYSE Arca Equities Rule 5.2j3

**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 \* Michael      Last Name \* Cavalier  
 Title \* Counsel NYSE Group Inc  
 E-mail \* [REDACTED]  
 Telephone \* [REDACTED]      Fax [REDACTED]

**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 04/14/2015      Assistant Secretary  
 By Martha Redding      [REDACTED]  
 (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.  
 Martha Redding, [REDACTED]

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 (the “Act”)<sup>1</sup>, and Rule 19b-4 thereunder<sup>2</sup> 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 under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, the shares of the following series of the iShares Trust: iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni 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. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

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

Michael Cavalier  
Counsel  
NYSE Group, Inc.  
(212) 656-2474

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240. 19b-4.

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 series of the iShares Trust (the “Trust”) under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, which governs the listing and trading of Investment Company Units (“Units”) based on fixed income securities indexes<sup>3</sup>: iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF (each a “Fund” and, collectively, the “Funds”).<sup>4</sup>

Blackrock Fund Advisors (“BFA”) will be the investment adviser for the Funds.<sup>5</sup>

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<sup>3</sup> This Amendment No. 1 to SR-NYSEArca-2015-25 replaces SR-NYSEArca-2015-25 as originally filed and supersedes such filing in its entirety.

<sup>4</sup> The Commission previously has approved a proposed rule change relating to listing and trading on the Exchange of Units based on municipal bond indexes. See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523 (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02). The Commission also has issued a notice of filing and immediate effectiveness of a proposed rule change relating to listing and trading on the Exchange of the iShares Taxable Municipal Bond Fund. See Securities Exchange Act Release No. 63176 (October 25, 2010), 75 FR 66815 (October 29, 2010) (SR-NYSEArca-2010-94). The Commission has approved two actively managed funds of the PIMCO ETF Trust that hold municipal bonds. See Securities Exchange Act Release No. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund, among others). The Commission also has approved listing and trading on the Exchange of the SPDR Nuveen S&P High Yield Municipal Bond Fund. See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

<sup>5</sup> 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, BFA 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

BlackRock Investments, LLC is the Funds' distributor ("Distributor").<sup>6</sup>

#### iShares iBonds Dec 2021 AMT-Free Muni Bond ETF

The Fund will seek to track the investment results of an index composed of investment-grade U.S. municipal bonds maturing after December 31, 2020 and before December 2, 2021. Specifically, the Fund will seek to track the investment results of the S&P AMT-Free Municipal Series December 2021 Index<sup>TM</sup> (the "2021 Index"), which measures the performance of investment-grade, non-callable U.S. municipal bonds maturing after December 31, 2020 and before December 2, 2021.<sup>7</sup> As of February 10, 2015, there were 4,217 issues in the 2021 Index.

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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.

<sup>6</sup> With respect to the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF, see Post-Effective Amendment No. 1,380 to the Trust's registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) ("1933 Act") and the Investment Company Act of 1940 ("1940 Act") (15 U.S.C. 80a-1), dated March 26, 2015 (File Nos. 333-92935 and 811-09729), and, with respect to the iShares iBonds Dec 2022 AMT-Free Muni Bond ETF, see Post-Effective Amendment No. 1,381 to the Trust's registration statement on Form N-1A under the 1933 Act and 1940 Act, dated March 26, 2015 (File Nos. 333-92935 and 811-09729) (each a "Registration Statement" and, collectively, the "Registration Statements"). 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. 27608 (December 21, 2006) (File No. 812-13208) ("Exemptive Order").

<sup>7</sup> The 2021 Index and the S&P AMT-Free Municipal Series December 2022 Index<sup>TM</sup> (or the "2022 Index") (described below) are products of S&P Dow Jones Indices LLC, a subsidiary of McGraw Hill Financial, Inc. (the "Index

The 2021 Index includes municipal bonds primarily from issuers that are state or local governments or agencies such that the interest on the bonds is exempt from U.S. federal income taxes and the federal alternative minimum tax (“AMT”). Each bond must have a rating of at least BBB- by Standard & Poor's Ratings Services (“S&P”), Baa3 by Moody's Investors Service, Inc. (“Moody's”), or BBB- by Fitch Ratings, Inc. (“Fitch”) and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2021 Index. To remain in the 2021 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2021 Index will mature after December 31, 2020 and before December 2, 2021. When a bond matures in the 2021 Index, an amount representing its value at maturity will be included in the 2021 Index throughout the remaining life of the 2021 Index, and any such amount will be assumed to earn a rate equal to the performance of the Standard & Poor's Financial Services LLC's (a subsidiary of The McGraw-Hill Companies, Inc.) Weekly High Grade Index, municipal tax-exempt notes that are not subject to federal AMT. The 2021 Index is a market value weighted index and is rebalanced after the market close on the last business day of each month.

The Fund generally will invest at least 80% of its assets in the securities of the 2021 Index, except during the last months of the Fund's operations, as described below. The Fund may invest the remainder of its assets in cash and cash equivalents (including shares of money market funds affiliated with BFA), as well as in municipal bonds not included in the 2021 Index, but which BFA believes will help the Fund track the 2021 Index. The Fund will seek to track the investment results of the 2021 Index before fees and expenses of the Fund.

The Fund will generally hold municipal bond securities issued by state and local municipalities whose interest payments are exempt from U.S. federal income tax, the federal AMT and a federal Medicare contribution tax of 3.8% on “net investment income,” including dividends, interest and capital gains. In addition, the Fund may invest any cash assets in one or more affiliated municipal money market funds. In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of money market funds affiliated with BFA, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial

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Provider”), which is independent of the Funds and BFA. The Index Provider determines the composition and relative weightings of the securities in the 2021 Index and 2022 Index and publishes information regarding the market value of the 2021 Index and 2022 Index. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the 2021 Index and 2022 Index.

paper. These cash equivalents may not be included in the 2021 Index. Around December 1, 2021, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Exchange is submitting this proposed rule change because the 2021 Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The 2021 Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>8</sup> Specifically, as of February 10, 2015, 6.8% of the weight of the 2021 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of February 10, 2015, 72% of the weight of the 2021 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2021 Index was approximately \$ 38.9 billion and the average dollar amount outstanding of issues in the 2021 Index was approximately \$9.2 million. Further, the most heavily weighted component represented 0.57% of the weight of the 2021 Index and the five most heavily weighted components represented 2.51% of the weight of the 2021 Index.<sup>9</sup> Therefore, the Exchange believes that, notwithstanding that the 2021 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2021 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 4217 issues. In addition, the 2021 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72%) of the 2021 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2021 Index issues, as referenced above.<sup>10</sup>

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<sup>8</sup> Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

<sup>9</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

<sup>10</sup> BFA represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid,

As of February 10, 2015, 58.2% of the 2021 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2021 Index value, calculated and disseminated at least once daily, as well as the components of the 2021 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at [www.iShares.com](http://www.iShares.com).

According to the Registration Statement, BFA expects that, over time, the Fund's tracking error will not exceed 5%. "Tracking error" is the difference between the performance (return) of the Fund's portfolio and that of the 2021 Index.

#### iShares iBonds Dec 2022 AMT-Free Muni Bond ETF

According to the Registration Statement, the iShares iBonds Dec 2022 AMT-Free Muni Bond ETF will seek to track the investment results of an index composed of investment-grade U.S. municipal bonds maturing after December 31, 2021 and before December 2, 2022. The Fund will seek to track the investment results of the S&P AMT-Free Municipal Series December 2022 Index<sup>TM</sup> (the "2022 Index"), which measures the performance of investment-grade, non-callable U.S. municipal bonds maturing after December 31, 2021 and before December 2, 2022. As of February 10, 2015, there were 3473 issues in the 2022 Index.

The 2022 Index includes municipal bonds primarily from issuers that are state or local governments or agencies such that the interest on the bonds is exempt from U.S. federal income taxes and the federal alternative minimum tax ("AMT"). Each bond must have a rating of at least BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch Ratings, Inc. and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2022 Index. To remain in the 2022 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2022 Index will mature in after December 31, 2021 and before December 2, 2022. When a bond matures in the 2022 Index, an amount representing its value at maturity will be included in the 2022 Index throughout the remaining life of the 2022 Index, and any such amount will be assumed to earn a rate equal to the performance of the Standard & Poor's Financial Services LLC's Weekly High Grade Index, which consists of Moody's Investment Grade-1 municipal tax-exempt notes that are not subject to federal AMT. The 2022 Index is a market value weighted index and is rebalanced after the market close on the last business day of each month.

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because valuations for a single security are better estimators of actual trading prices when they are informed by trades in a large group of closely related securities. As a result, securities are more likely to trade at prices close to their valuation when they need to be sold.

The Fund generally will invest at least 80% of its assets in the securities of the 2022 Index, except during the last months of the Fund's operations, as described below. The Fund may invest the remainder of its assets in cash and cash equivalents (including shares of money market funds affiliated with BFA), as well as in municipal bonds not included in the 2022 Index, but which BFA believes will help the Fund track the 2022 Index. The Fund will seek to track the investment results of the 2022 Index before fees and expenses of the Fund.

The Fund will generally hold municipal bond securities issued by state and local municipalities whose interest payments are exempt from U.S. federal income tax, the federal AMT and a federal Medicare contribution tax of 3.8% on “net investment income,” including dividends, interest and capital gains. In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of money market funds affiliated with BFA, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the 2022 Index. Around December 1, 2022, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Exchange is submitting this proposed rule change because the 2022 Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The 2022 Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>11</sup> Specifically, as of February 10, 2015, 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of February 10, 2015, 72.4% of the weight of the 2022 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2022 Index was approximately \$30.5 billion and the average dollar amount outstanding of issues in the 2022 Index was approximately \$8.8 million. Further, the most heavily weighted component represented 0.55% of the weight of the 2022 Index and the five most heavily weighted components

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<sup>11</sup> Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

represented 2.67% of the weight of the 2022 Index.<sup>12</sup> Therefore, the Exchange believes that, notwithstanding that the 2022 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2022 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3473 issues. In addition, the 2022 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72.4%) of the 2022 Index weight is comprised of maturities that are part of an offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2022 Index issues, as referenced above.<sup>13</sup>

As of February 10, 2015, 59.7% of the 2022 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2022 Index value, calculated and disseminated at least once daily, as well as the components of the 2022 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at [www.iShares.com](http://www.iShares.com).

According to the Registration Statement, BFA expects that, over time, the Fund's tracking error will not exceed 5%. "Tracking error" is the difference between the performance (return) of the Fund's portfolio and that of the 2022 Index.

The Exchange represents that: (1) except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the 2021 Index and 2022 Index currently satisfy all of the generic listing standards under NYSE Arca Equities Rule 5.2(j)(3); (2) the continued listing standards under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2) applicable to Units shall apply to the Shares of a Fund; and (3) the Trust is required to comply with Rule 10A-3<sup>14</sup> under the Act for the initial and

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<sup>12</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

<sup>13</sup> BFA represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid, because valuations for a single security are better estimators of actual trading prices when they are informed by trades in a large group of closely related securities. As a result, securities are more likely to trade at prices close to their valuation when they need to be sold.

<sup>14</sup> 17 CFR 240.10A-3.

continued listing of the Shares of a Fund. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the 2021 Index and 2022 Index, respectively, and the Intraday Indicative Value (“IIV”),<sup>15</sup> rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the Information Bulletin to Equity Trading Permit Holders (“ETP Holders”), as set forth in Exchange rules applicable to Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Units.<sup>16</sup>

The current value of the 2021 Index and 2022 Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of a Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange’s Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (c).

#### Correlation Among Municipal Bond Instruments with Common Characteristics

With respect to the Funds, BFA represents that the nature of the municipal bond market and municipal bond instruments makes it feasible to categorize individual issues represented by CUSIPs (*i.e.*, the specific identifying number for a security) into categories according to common characteristics-- specifically, rating, geographical region, purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds),<sup>17</sup> and maturity. Bonds that share similar

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<sup>15</sup> The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session of 9:30 a.m. to 4:00 p.m., Eastern time. Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association (“CTA”) or other data feeds.

<sup>16</sup> See, e.g., Securities Exchange Act Release Nos. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving NYSE Arca generic listing standards for Units based on a fixed income index); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (order approving generic listing standards for Units and Portfolio Depositary Receipts); 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (order approving rules for listing and trading of Units).

<sup>17</sup> General obligation (“GO”) bonds are backed by the full faith and credit of the issuer and by its taxing power. Revenue bonds (“REV”) are payable solely from net or gross non-tax revenues derived from a specific project. Double barreled (“DB”) GO bonds are secured by both a specific revenue stream and by the taxing power of the issuer. As of February 10, 2015, the market value of GO, REV and DB bonds in the 2021 Index was approximately \$14.3 billion, \$23.4 billion and

characteristics tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective, allowing one CUSIP to be represented by another that shares similar characteristics for purposes of developing an investment strategy. Therefore, while 6.8% of the weight of the 2021 Index and 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more, the nature of the municipal bond market makes the issues relatively fungible for investment purposes when aggregated into categories such as ratings, geographical region, purpose and maturity. In addition, within a single municipal bond issuer, there are often multiple contemporaneous or sequential issuances that have the same rating, structure and maturity, but have different CUSIPs; these separate issues by the same issuer are also likely to trade similarly to one another.

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

In addition, individual CUSIPs within the 2021 Index and 2022 Index that share characteristics with other CUSIPs based on the four categories described above have a high yield to maturity correlation, and frequently have a correlation of one or close to one. Such correlation demonstrates that the CUSIPs within their respective category behave similarly; this reinforces the fungible nature of municipal bond issues for purposes of developing an investment strategy.

Attached as Exhibit 3 to this proposed rule change are two examples reflecting the correlation among CUSIPs in the 2021 Index and 2022 Index, respectively.<sup>18</sup>

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\$1.3 million, respectively, representing 36.7%, 60.0% and 3.3% of the 2021 Index weight, respectively. As of February 10, 2015, the market value of GO, REV and DB bonds in the 2022 Index was approximately \$11.7 billion, \$ 17.8 billion and \$987 million, respectively, representing 38.4%, 58.4% and 3.2% of the 2022 Index weight, respectively.

<sup>18</sup> Source: Standard and Poor's, January 1, 2014 to January 1, 2015, daily evaluated prices. Evaluated prices, as defined by Standard and Poor's, are based on a methodology that incorporates, among other things, trade data, broker dealer quotes, new issue pricing, and certain fundamental characteristics such as credit quality and sector.

These examples show the correlation of selected constituents that share three common characteristics: rating, purpose and geographical region. Example 1 relating to the 2021 Index shows the yield to maturity of issues sharing the following characteristics: Rating AA / Aa<sup>19</sup>; West; GO Bonds maturing July 1, 2021. Example 2 relating to the 2022 Index shows the yield to maturity of issues sharing the following characteristics: Rating AA / Aa; West; GO Bonds maturing July 1, 2022.

### Creation and Redemption of Shares

According to the Registration Statement, each Fund will issue and redeem Shares on a continuous basis at the net asset value per Share (“NAV”) only in a large specified number of Shares called a “Creation Unit”, or multiples thereof, with each Creation Unit consisting of 50,000 Shares, provided, however, that from time to time a Fund may change the number of Shares (or multiples thereof) required for each Creation Unit, if a Fund determines such a change would be in the best interests of a Fund.

The consideration for purchase of Creation Units of a Fund generally will consist of the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) (i.e., the Deposit Securities), which constitutes a representative sample of the securities of the 2021 Index or 2022 Index, as applicable,<sup>20</sup> and the Cash Component computed as described below. Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of a Fund.

The portfolio of securities required for purchase of a Creation Unit may not be identical to the portfolio of securities a Fund will deliver upon redemption of a Fund’s Shares. The Deposit Securities and Fund Securities (as defined below),

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<sup>19</sup> This is a composite rating among Standard & Poor’s, Moody’s and Fitch ratings. Under BFA’s methodology, the median rating is used if all three ratings are available; the lowest rating is used if only two ratings are available; and, if only one rating is available, that one is used.

<sup>20</sup> According to the Registration Statement, “representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the 2021 Index or 2022 Index, respectively. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to those of the Index. A Fund may or may not hold all of the securities in the 2021 Index or 2022 Index.

as the case may be, in connection with a purchase or redemption of a Creation Unit, generally will correspond pro rata, to the extent practicable, to the securities held by such Fund. As the planned termination date of a Fund approaches, and particularly as the bonds held by a Fund begin to mature, a Fund would expect to effect both creations and redemptions increasingly for cash.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which will be an amount equal to the market value of the Deposit Securities, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. A Fund currently will offer Creation Units for in-kind deposits but reserves the right to utilize a “cash” option in lieu of some or all of the applicable Deposit Securities for creation of Shares.

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 a Fund.

The identity and number or par value of the Deposit Securities will change pursuant to changes in the composition of a Fund’s portfolio and as rebalancing adjustments and corporate action events will be reflected from time to time by BFA with a view to the investment objective of a Fund. The composition of the Deposit Securities may also change in response to adjustments to the weighting or composition of the component securities constituting the 2021 Index or 2022 Index.

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”).

Creation Units may be purchased only by or through a DTC participant that has entered into an “Authorized Participant Agreement” (as described in the applicable Registration Statement) with the Distributor (an “Authorized Participant”). 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 2:00 p.m., Eastern time. On days when the Exchange or the bond markets close earlier than normal, a Fund may require orders to create Creation Units to be placed earlier in the day.

Fund Deposits must be delivered through the Federal Reserve System (for cash and government securities) and through DTC (for corporate and municipal securities) by an Authorized Participant. The Fund Deposit transfer must be ordered by the DTC participant in a timely fashion so as to ensure the delivery of the requisite number of Deposit Securities through DTC to the account of a Fund by no later than 3:00 p.m., Eastern time, on the “Settlement Date”. The Settlement Date is generally the third business day after the transmittal date.

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

Shares of a Fund may be redeemed only in Creation Units at the 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. A Fund currently will redeem Shares for Fund Securities, but a 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, 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.

Detailed descriptions of the Funds, the 2021 Index and 2022 Index, procedures for creating and redeeming Shares, transaction fees and expenses, dividends, distributions, taxes, risks, and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statements or on the website for the Funds ([www.iShares.com](http://www.iShares.com)), as applicable.

## Net Asset Value

The NAV of a Fund normally will be determined once daily Monday through Friday, 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 a Fund will be calculated by dividing the value of the net assets of a 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 a Fund will be determined pursuant to valuation policies and procedures approved by the Trust’s Board of Trustees (“Board”). A Fund's assets and liabilities will be valued on the basis of market quotations, when readily available.

Each Fund will value fixed-income portfolio 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 short-term debt securities may be valued on the basis of amortized cost.

Generally, trading in 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 a Fund are determined as of such times.

When market quotations are not readily available or are believed by BFA to be unreliable, a 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.

Fair value represents a good faith approximation of the value of an asset or liability. The fair value of an asset or liability held by a Fund is the amount a Fund

might reasonably expect to receive from the current sale of that asset or the cost to extinguish that liability in an arm's-length transaction.

#### Availability of Information

On each business day, each Fund will disclose on its website the portfolio that will form the basis for a Fund's calculation of NAV at the end of the business day.<sup>21</sup>

On a daily basis, a Fund will disclose for each portfolio security or other financial instrument of a Fund the following information on the Funds' website: ticker symbol (if applicable), name of security and financial instrument, a common identifier such as CUSIP or ISIN (if applicable), number of shares (if applicable), and dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

The current value of the 2021 Index and 2022 Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of a Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (c).

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), a Fund's Shareholder Reports, and its 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](http://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 will be available via the Consolidated Tape Association ("CTA") high speed line. Quotation information for investment company securities (excluding ETFs) may be obtained through nationally recognized pricing services through subscription

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<sup>21</sup> Under accounting procedures followed by a Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, a Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

agreements or from brokers and dealers who make markets in such securities. Price information regarding municipal bonds, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper is available from third party pricing services and major market data vendors.

### Trading Rules

The Exchange deems the Shares of the Funds to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares of the Funds 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.

The Shares of each Fund will conform to the initial and continued listing criteria under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2), respectively (except for those set forth in Commentary .02(a)(2)). The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>22</sup> 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 NAV per Share of each Fund will be calculated daily and that the NAV per Share will be made available to all market participants at the same time.

### Trading Halts

The Exchange will halt trading in the Shares if the circuit breaker parameters of NYSE Arca Equities Rule 7.12 have been reached. In exercising its discretion to halt or suspend trading in the Shares, the Exchange may consider factors such as the extent to which trading in the underlying securities is not occurring or whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, in addition to other factors that may be relevant. If the IIV (as defined in Commentary .01 to Rule 5.2(j)(3)) or the value of the 2021 Index or 2022 Index is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or the 2021 Index value or 2022 Index value occurs. If the interruption to the

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17 CFR 240.10A-3.

dissemination of the IIV, 2021 Index value or 2022 Index value persists past the trading day in which it occurred, the Exchange will halt trading.

#### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit 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 Equity Trading Permit 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 IIV will not be calculated or publicly disseminated; (4) how information regarding the IIV is disseminated; (5) the requirement that Equity Trading Permit 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 a Fund is subject to various fees and expenses described in the Registration Statement. 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)<sup>23</sup> 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 5.2(j)(3). The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal

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<sup>23</sup>

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

securities laws.<sup>24</sup> 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. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares with other markets or other entities that are members of the Intermarket Surveillance group (“ISG”), and FINRA may obtain trading information regarding trading in the Shares from such markets or entities. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares. FINRA, on behalf of the Exchange, is able to access, as needed, trade information for certain fixed income securities held by a Fund reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”). In addition, the Exchange may obtain information regarding trading in the Shares from markets or other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the 2021 Index and 2022 Index. As of February 10, 2015, there were 4,217 issues in the 2021 Index. As of February 10, 2015, 6.8% of the weight of the 2021 Index components have a minimum original principal amount outstanding of \$100 million or more. As of February 10, 2015, 72% of the weight of the 2021 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2021 Index was approximately \$ 38.9 billion and the average dollar amount outstanding of issues in the 2021 Index was approximately \$9.2 million. Further, the most heavily weighted component represented 0.57% of the weight of the 2021 Index and the five most heavily weighted components represented 2.51% of the weight of the 2021 Index.<sup>25</sup> Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential

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<sup>24</sup> 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.

<sup>25</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

manipulation, given that it is comprised of approximately 4217 issues. In addition, the 2021 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72%) of the 2021 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues.

As of February 10, 2015, there were 3473 issues in the 2022 Index. As of February 10, 2015, 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more. As of February 10, 2015, 72.4% of the weight of the 2022 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2022 Index was approximately \$30.5 billion and the average dollar amount outstanding of issues in the 2022 Index was approximately \$8.8 million. Further, the most heavily weighted component represented 0.55% of the weight of the 2022 Index and the five most heavily weighted components represented 2.67% of the weight of the 2022 Index.<sup>26</sup> Therefore, the Exchange believes that, notwithstanding that the 2022 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2022 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3473 issues. In addition, the 2022 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72.4%) of the 2022 Index weight is comprised of maturities that are part of an offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2022 Index issues, as referenced above.

The 2021 Index value and 2022 Index value, calculated and disseminated at least once daily, as well as the components of the 2021 Index and 2022 Index and their percentage weightings, will be available from major market data vendors. In addition, the portfolio of securities held by the Funds will be disclosed on the Funds' website at [www.iShares.com](http://www.iShares.com). The IIV for Shares of the Funds will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session. According to the Registration Statement, BFA expects that, over time, a Fund's tracking error will not exceed 5%. BFA represents that bonds that share similar characteristics, as

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<sup>26</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

described above, tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective. Within a single municipal bond issuer, BFA represents that separate issues by the same issuer are also likely to trade similarly to one another. In addition, BFA represents that individual CUSIPs within the 2021 Index and 2022 Index that share characteristics with other CUSIPs based on the four categories described above have a high yield to maturity correlation, and frequently have a correlation of one or close to one.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. The Funds' portfolio holdings will be disclosed on the Funds' website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current values of the 2021 Index and 2022 Index will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Funds will include the prospectus for 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. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. If the IIV, the 2021 Index value or the 2022 Index value are not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the IIV, the 2021 Index value or the 2022 Index value occurs. If the interruption to the dissemination of the IIV, the 2021 Index value or the 2022 Index value persists past the trading day in which it occurred, the Corporation will halt trading. Trading in Shares of the Funds 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 7.34, which sets forth circumstances under which Shares of the Funds may be halted. In addition, investors will have ready access to information regarding the IIV, 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 an additional type of exchange-traded fund that holds municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the IIV and quotation and last sale information for the Shares.

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 another exchange-traded product that holds municipal securities and that 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 other proposed rule changes relating to exchange traded funds based on a fixed income index or holding fixed income securities, including municipal bonds.<sup>27</sup>

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<sup>27</sup> See note 4, *supra*.

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

Exhibit 3- 2021 Correlation Matrix and 2022 Correlation Matrix for Specified Components of the 2021 Index and 2022 Index

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSEARCA-2015-25, Amendment 1)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to Listing and Trading of Shares of the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 14, 2015, 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 under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, the shares of the following series of the iShares Trust: iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 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 series of the iShares Trust (the “Trust”) under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, which governs the listing and trading of Investment Company Units (“Units”) based on fixed income securities indexes<sup>4</sup>: iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF (each a “Fund” and, collectively, the “Funds”).<sup>5</sup>

<sup>4</sup> This Amendment No. 1 to SR-NYSEArca-2015-25 replaces SR-NYSEArca-2015-25 as originally filed and supersedes such filing in its entirety.

<sup>5</sup> The Commission previously has approved a proposed rule change relating to listing and trading on the Exchange of Units based on municipal bond indexes. See Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523 (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02). The Commission also has issued a notice of filing and immediate effectiveness of

Blackrock Fund Advisors (“BFA”) will be the investment adviser for the Funds.<sup>6</sup>

BlackRock Investments, LLC is the Funds’ distributor (“Distributor”).<sup>7</sup>

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a proposed rule change relating to listing and trading on the Exchange of the iShares Taxable Municipal Bond Fund. See Securities Exchange Act Release No. 63176 (October 25, 2010), 75 FR 66815 (October 29, 2010) (SR-NYSEArca-2010-94). The Commission has approved two actively managed funds of the PIMCO ETF Trust that hold municipal bonds. See Securities Exchange Act Release No. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR-NYSEArca-2009-79) (order approving listing and trading of PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund, among others). The Commission also has approved listing and trading on the Exchange of the SPDR Nuveen S&P High Yield Municipal Bond Fund. See Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR-NYSEArca-2010-120).

<sup>6</sup> 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, BFA 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.

<sup>7</sup> With respect to the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF, see Post-Effective Amendment No. 1,380 to the Trust’s registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) (“1933 Act”) and the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-1), dated March 26, 2015 (File Nos. 333-92935 and 811-09729), and, with respect to the iShares iBonds Dec 2022 AMT-Free Muni Bond ETF, see Post-Effective Amendment No. 1,381 to the Trust’s registration statement on Form N-1A under the 1933 Act and 1940 Act, dated March 26, 2015 (File Nos. 333-92935 and 811-09729) (each a “Registration Statement” and, collectively, the “Registration Statements”). The description of the operation of the Trust and the Funds herein

## iShares iBonds Dec 2021 AMT-Free Muni Bond ETF

The Fund will seek to track the investment results of an index composed of investment-grade U.S. municipal bonds maturing after December 31, 2020 and before December 2, 2021. Specifically, the Fund will seek to track the investment results of the S&P AMT-Free Municipal Series December 2021 Index<sup>TM</sup> (the “2021 Index”), which measures the performance of investment-grade, non-callable U.S. municipal bonds maturing after December 31, 2020 and before December 2, 2021.<sup>8</sup> As of February 10, 2015, there were 4,217 issues in the 2021 Index.

The 2021 Index includes municipal bonds primarily from issuers that are state or local governments or agencies such that the interest on the bonds is exempt from U.S. federal income taxes and the federal alternative minimum tax (“AMT”). Each bond must have a rating of at least BBB- by Standard & Poor's Ratings Services (“S&P”), Baa3 by Moody's Investors Service, Inc. (“Moody's”), or BBB- by Fitch Ratings, Inc. (“Fitch”) and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2021 Index. To remain in the 2021 Index, bonds must maintain a minimum par

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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. 27608 (December 21, 2006) (File No. 812-13208) (“Exemptive Order”).

<sup>8</sup> The 2021 Index and the S&P AMT-Free Municipal Series December 2022 Index<sup>TM</sup> (or the “2022 Index”) (described below) are products of S&P Dow Jones Indices LLC, a subsidiary of McGraw Hill Financial, Inc. (the “Index Provider”), which is independent of the Funds and BFA. The Index Provider determines the composition and relative weightings of the securities in the 2021 Index and 2022 Index and publishes information regarding the market value of the 2021 Index and 2022 Index. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the 2021 Index and 2022 Index.

amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2021 Index will mature after December 31, 2020 and before December 2, 2021. When a bond matures in the 2021 Index, an amount representing its value at maturity will be included in the 2021 Index throughout the remaining life of the 2021 Index, and any such amount will be assumed to earn a rate equal to the performance of the Standard & Poor's Financial Services LLC's (a subsidiary of The McGraw-Hill Companies, Inc.) Weekly High Grade Index, municipal tax-exempt notes that are not subject to federal AMT. The 2021 Index is a market value weighted index and is rebalanced after the market close on the last business day of each month.

The Fund generally will invest at least 80% of its assets in the securities of the 2021 Index, except during the last months of the Fund's operations, as described below. The Fund may invest the remainder of its assets in cash and cash equivalents (including shares of money market funds affiliated with BFA), as well as in municipal bonds not included in the 2021 Index, but which BFA believes will help the Fund track the 2021 Index. The Fund will seek to track the investment results of the 2021 Index before fees and expenses of the Fund.

The Fund will generally hold municipal bond securities issued by state and local municipalities whose interest payments are exempt from U.S. federal income tax, the federal AMT and a federal Medicare contribution tax of 3.8% on "net investment income," including dividends, interest and capital gains. In addition, the Fund may invest any cash assets in one or more affiliated municipal money market funds. In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including,

without limitation, shares of money market funds affiliated with BFA, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the 2021 Index. Around December 1, 2021, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Exchange is submitting this proposed rule change because the 2021 Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The 2021 Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>9</sup> Specifically, as of February 10, 2015, 6.8% of the weight of the 2021 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of February 10, 2015, 72% of the weight of the 2021 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2021 Index was approximately \$ 38.9 billion and the average dollar amount outstanding of issues in the 2021 Index was approximately \$9.2 million. Further, the most heavily weighted component represented 0.57% of the weight of the 2021 Index and the five most heavily weighted components represented 2.51% of the weight of the 2021 Index.<sup>10</sup>

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<sup>9</sup> Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

<sup>10</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no

Therefore, the Exchange believes that, notwithstanding that the 2021 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2021 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 4217 issues. In addition, the 2021 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72%) of the 2021 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2021 Index issues, as referenced above.<sup>11</sup>

As of February 10, 2015, 58.2% of the 2021 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2021 Index value, calculated and disseminated at least once daily, as well as the components of the 2021 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at [www.iShares.com](http://www.iShares.com).

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component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

<sup>11</sup> BFA represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid, because valuations for a single security are better estimators of actual trading prices when they are informed by trades in a large group of closely related securities. As a result, securities are more likely to trade at prices close to their valuation when they need to be sold.

According to the Registration Statement, BFA expects that, over time, the Fund's tracking error will not exceed 5%. "Tracking error" is the difference between the performance (return) of the Fund's portfolio and that of the 2021 Index.

#### iShares iBonds Dec 2022 AMT-Free Muni Bond ETF

According to the Registration Statement, the iShares iBonds Dec 2022 AMT-Free Muni Bond ETF will seek to track the investment results of an index composed of investment-grade U.S. municipal bonds maturing after December 31, 2021 and before December 2, 2022. The Fund will seek to track the investment results of the S&P AMT-Free Municipal Series December 2022 Index<sup>™</sup> (the "2022 Index"), which measures the performance of investment-grade, non-callable U.S. municipal bonds maturing after December 31, 2021 and before December 2, 2022. As of February 10, 2015, there were 3473 issues in the 2022 Index.

The 2022 Index includes municipal bonds primarily from issuers that are state or local governments or agencies such that the interest on the bonds is exempt from U.S. federal income taxes and the federal alternative minimum tax ("AMT"). Each bond must have a rating of at least BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch Ratings, Inc. and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2022 Index. To remain in the 2022 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2022 Index will mature in after December 31, 2021 and before December 2, 2022. When a bond matures in the 2022 Index, an amount representing its value at maturity will be included in the 2022 Index throughout the remaining life of the 2022 Index, and any such amount will be assumed to earn a rate equal to the performance of the Standard &

Poor's Financial Services LLC's Weekly High Grade Index, which consists of Moody's Investment Grade-1 municipal tax-exempt notes that are not subject to federal AMT. The 2022 Index is a market value weighted index and is rebalanced after the market close on the last business day of each month.

The Fund generally will invest at least 80% of its assets in the securities of the 2022 Index, except during the last months of the Fund's operations, as described below. The Fund may invest the remainder of its assets in cash and cash equivalents (including shares of money market funds affiliated with BFA), as well as in municipal bonds not included in the 2022 Index, but which BFA believes will help the Fund track the 2022 Index. The Fund will seek to track the investment results of the 2022 Index before fees and expenses of the Fund.

The Fund will generally hold municipal bond securities issued by state and local municipalities whose interest payments are exempt from U.S. federal income tax, the federal AMT and a federal Medicare contribution tax of 3.8% on "net investment income," including dividends, interest and capital gains. In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of money market funds affiliated with BFA, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the 2022 Index. Around December 1, 2022, the Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

The Exchange is submitting this proposed rule change because the 2022 Index for

the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Equities Rule 5.2(j)(3) applicable to the listing of Units based on fixed income securities indexes. The 2022 Index meets all such requirements except for those set forth in Commentary .02(a)(2).<sup>12</sup> Specifically, as of February 10, 2015, 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more.

As of February 10, 2015, 72.4% of the weight of the 2022 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2022 Index was approximately \$30.5 billion and the average dollar amount outstanding of issues in the 2022 Index was approximately \$8.8 million. Further, the most heavily weighted component represented 0.55% of the weight of the 2022 Index and the five most heavily weighted components represented 2.67% of the weight of the 2022 Index.<sup>13</sup> Therefore, the Exchange believes that, notwithstanding that the 2022 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2022 Index is sufficiently broad-based to deter potential manipulation, given that it is

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<sup>12</sup> Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

<sup>13</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

comprised of approximately 3473 issues. In addition, the 2022 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72.4%) of the 2022 Index weight is comprised of maturities that are part of an offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2022 Index issues, as referenced above.<sup>14</sup>

As of February 10, 2015, 59.7% of the 2022 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2022 Index value, calculated and disseminated at least once daily, as well as the components of the 2022 Index and their percentage weighting, will be available from major market data vendors. In addition, the portfolio of securities held by the Fund will be disclosed on the Fund's website at [www.iShares.com](http://www.iShares.com).

According to the Registration Statement, BFA expects that, over time, the Fund's tracking error will not exceed 5%. "Tracking error" is the difference between the performance (return) of the Fund's portfolio and that of the 2022 Index.

The Exchange represents that: (1) except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the 2021 Index and 2022 Index currently satisfy all of the generic listing standards under NYSE Arca Equities Rule 5.2(j)(3); (2) the continued listing standards under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2) applicable to

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<sup>14</sup> BFA represents that when bonds are close substitutes for one another, pricing vendors can use executed trade information from all similar bonds as pricing inputs for an individual security. This can make individual securities more liquid, because valuations for a single security are better estimators of actual trading prices when they are informed by trades in a large group of closely related securities. As a result, securities are more likely to trade at prices close to their valuation when they need to be sold.

Units shall apply to the Shares of a Fund; and (3) the Trust is required to comply with Rule 10A-3<sup>15</sup> under the Act for the initial and continued listing of the Shares of a Fund. In addition, the Exchange represents that the Shares of the Funds will comply with all other requirements applicable to Units including, but not limited to, requirements relating to the dissemination of key information such as the value of the 2021 Index and 2022 Index, respectively, and the Intraday Indicative Value (“IIV”),<sup>16</sup> rules governing the trading of equity securities, trading hours, trading halts, surveillance, and the Information Bulletin to Equity Trading Permit Holders (“ETP Holders”), as set forth in Exchange rules applicable to Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Units.<sup>17</sup>

The current value of the 2021 Index and 2022 Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of a Fund will be disseminated by one or more major market data vendors, updated at least every 15

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<sup>15</sup> 17 CFR 240.10A-3.

<sup>16</sup> The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session of 9:30 a.m. to 4:00 p.m., Eastern time. Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available IIVs taken from the Consolidated Tape Association (“CTA”) or other data feeds.

<sup>17</sup> See, e.g., Securities Exchange Act Release Nos. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving NYSE Arca generic listing standards for Units based on a fixed income index); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (order approving generic listing standards for Units and Portfolio Depositary Receipts); 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (order approving rules for listing and trading of Units).

seconds during the Exchange's Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (c).

#### Correlation Among Municipal Bond Instruments with Common Characteristics

With respect to the Funds, BFA represents that the nature of the municipal bond market and municipal bond instruments makes it feasible to categorize individual issues represented by CUSIPs (i.e., the specific identifying number for a security) into categories according to common characteristics-- specifically, rating, geographical region, purpose (i.e., general obligation bonds, revenue bonds or "double-barreled" bonds),<sup>18</sup> and maturity. Bonds that share similar characteristics tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective, allowing one CUSIP to be represented by another that shares similar characteristics for purposes of developing an investment strategy. Therefore, while 6.8% of the weight of the 2021 Index and 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more, the nature of the municipal bond market makes the issues relatively fungible for investment purposes when aggregated into categories such as ratings, geographical region, purpose and maturity. In addition, within a single

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<sup>18</sup> General obligation ("GO") bonds are backed by the full faith and credit of the issuer and by its taxing power. Revenue bonds ("REV") are payable solely from net or gross non-tax revenues derived from a specific project. Double barreled ("DB") GO bonds are secured by both a specific revenue stream and by the taxing power of the issuer. As of February 10, 2015, the market value of GO, REV and DB bonds in the 2021 Index was approximately \$14.3 billion, \$23.4 billion and \$1.3 billion, respectively, representing 36.7%, 60.0% and 3.3% of the 2021 Index weight, respectively. As of February 10, 2015, the market value of GO, REV and DB bonds in the 2022 Index was approximately \$11.7 billion, \$ 17.8 billion and \$987 million, respectively, representing 38.4%, 58.4% and 3.2% of the 2022 Index weight, respectively.

municipal bond issuer, there are often multiple contemporaneous or sequential issuances that have the same rating, structure and maturity, but have different CUSIPs; these separate issues by the same issuer are also likely to trade similarly to one another.

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

In addition, individual CUSIPs within the 2021 Index and 2022 Index that share characteristics with other CUSIPs based on the four categories described above have a high yield to maturity correlation, and frequently have a correlation of one or close to one. Such correlation demonstrates that the CUSIPs within their respective category behave similarly; this reinforces the fungible nature of municipal bond issues for purposes of developing an investment strategy.

Attached as Exhibit 3 to this proposed rule change are two examples reflecting the correlation among CUSIPs in the 2021 Index and 2022 Index, respectively.<sup>19</sup> These examples show the correlation of selected constituents that share three common

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<sup>19</sup> Source: Standard and Poor's, January 1, 2014 to January 1, 2015, daily evaluated prices. Evaluated prices, as defined by Standard and Poor's, are based on a methodology that incorporates, among other things, trade data, broker dealer quotes, new issue pricing, and certain fundamental characteristics such as credit quality and sector.

characteristics: rating, purpose and geographical region. Example 1 relating to the 2021 Index shows the yield to maturity of issues sharing the following characteristics: Rating AA / Aa<sup>20</sup>; West; GO Bonds maturing July 1, 2021. Example 2 relating to the 2022 Index shows the yield to maturity of issues sharing the following characteristics: Rating AA / Aa; West; GO Bonds maturing July 1, 2022.

#### Creation and Redemption of Shares

According to the Registration Statement, each Fund will issue and redeem Shares on a continuous basis at the net asset value per Share (“NAV”) only in a large specified number of Shares called a “Creation Unit”, or multiples thereof, with each Creation Unit consisting of 50,000 Shares, provided, however, that from time to time a Fund may change the number of Shares (or multiples thereof) required for each Creation Unit, if a Fund determines such a change would be in the best interests of a Fund.

The consideration for purchase of Creation Units of a Fund generally will consist of the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) ( *i.e.*, the Deposit Securities), which constitutes a representative sample of the securities of the 2021 Index or 2022 Index, as applicable,<sup>21</sup> and the Cash Component computed as described below. Together, the

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<sup>20</sup> This is a composite rating among Standard & Poor’s, Moody’s and Fitch ratings. Under BFA’s methodology, the median rating is used if all three ratings are available; the lowest rating is used if only two ratings are available; and, if only one rating is available, that one is used.

<sup>21</sup> According to the Registration Statement, “representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the 2021 Index or 2022 Index, respectively. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to

Deposit Securities and the Cash Component constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of a Fund.

The portfolio of securities required for purchase of a Creation Unit may not be identical to the portfolio of securities a Fund will deliver upon redemption of a Fund’s 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 extent practicable, to the securities held by such Fund. As the planned termination date of a Fund approaches, and particularly as the bonds held by a Fund begin to mature, a Fund would expect to effect both creations and redemptions increasingly for cash.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which will be an amount equal to the market value of the Deposit Securities, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. A Fund currently will offer Creation Units for in-kind deposits but reserves the right to utilize a “cash” option in lieu of some or all of the applicable Deposit Securities for creation of Shares.

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

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those of the Index. A Fund may or may not hold all of the securities in the 2021 Index or 2022 Index.

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 a Fund.

The identity and number or par value of the Deposit Securities will change pursuant to changes in the composition of a Fund's portfolio and as rebalancing adjustments and corporate action events will be reflected from time to time by BFA with a view to the investment objective of a Fund. The composition of the Deposit Securities may also change in response to adjustments to the weighting or composition of the component securities constituting the 2021 Index or 2022 Index.

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").

Creation Units may be purchased only by or through a DTC participant that has entered into an "Authorized Participant Agreement" (as described in the applicable Registration Statement) with the Distributor (an "Authorized Participant"). 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 2:00 p.m., Eastern time. On days when the

Exchange or the bond markets close earlier than normal, a Fund may require orders to create Creation Units to be placed earlier in the day.

Fund Deposits must be delivered through the Federal Reserve System (for cash and government securities) and through DTC (for corporate and municipal securities) by an Authorized Participant. The Fund Deposit transfer must be ordered by the DTC participant in a timely fashion so as to ensure the delivery of the requisite number of Deposit Securities through DTC to the account of a Fund by no later than 3:00 p.m., Eastern time, on the “Settlement Date”. The Settlement Date is generally the third business day after the transmittal date.

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

Shares of a Fund may be redeemed only in Creation Units at the 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. A Fund currently will redeem Shares for Fund Securities, but a 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, 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.

Detailed descriptions of the Funds, the 2021 Index and 2022 Index, procedures for creating and redeeming Shares, transaction fees and expenses, dividends, distributions, taxes, risks, and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statements or on the website for the Funds ([www.iShares.com](http://www.iShares.com)), as applicable.

#### Net Asset Value

The NAV of a Fund normally will be determined once daily Monday through Friday, 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 a Fund will be calculated by dividing the value of the net assets of a 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 a Fund will be determined pursuant to valuation policies and procedures approved by the Trust's Board of Trustees ("Board"). A Fund's assets and liabilities will be valued on the basis of market quotations, when readily available.

Each Fund will value fixed-income portfolio 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 short-term debt securities may be valued on the basis of amortized cost.

Generally, trading in 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 a Fund are determined as of such times.

When market quotations are not readily available or are believed by BFA to be unreliable, a 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.

Fair value represents a good faith approximation of the value of an asset or liability. The fair value of an asset or liability held by a Fund is the amount a Fund might reasonably expect to receive from the current sale of that asset or the cost to extinguish that liability in an arm’s-length transaction.

#### Availability of Information

On each business day, each Fund will disclose on its website the portfolio that will form the basis for a Fund’s calculation of NAV at the end of the business day.<sup>22</sup>

On a daily basis, a Fund will disclose for each portfolio security or other financial instrument of a Fund the following information on the Funds’ website: ticker symbol (if applicable), name of security and financial instrument, a common identifier such as CUSIP or ISIN (if applicable), number of shares (if applicable), and dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge.

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<sup>22</sup> Under accounting procedures followed by a Fund, trades made on the prior business day (“T”) will be booked and reflected in NAV on the current business day (“T+1”). Accordingly, a Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

The current value of the 2021 Index and 2022 Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (b)(ii). The IIV for Shares of a Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (c).

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), a Fund's Shareholder Reports, and its 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](http://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 will be available via the Consolidated Tape Association ("CTA") high speed line. Quotation information for investment company securities (excluding ETFs) may be obtained through nationally recognized pricing services through subscription agreements or from brokers and dealers who make markets in such securities. Price information regarding municipal bonds, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations,

tender option bonds and municipal commercial paper is available from third party pricing services and major market data vendors.

#### Trading Rules

The Exchange deems the Shares of the Funds to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares of the Funds 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.

The Shares of each Fund will conform to the initial and continued listing criteria under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2), respectively (except for those set forth in Commentary .02(a)(2)). The Exchange represents that, for initial and/or continued listing, the Fund will be in compliance with Rule 10A-3<sup>23</sup> 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 NAV per Share of each Fund will be calculated daily and that the NAV per Share will be made available to all market participants at the same time.

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<sup>23</sup> 17 CFR 240.10A-3.

### Trading Halts

The Exchange will halt trading in the Shares if the circuit breaker parameters of NYSE Arca Equities Rule 7.12 have been reached. In exercising its discretion to halt or suspend trading in the Shares, the Exchange may consider factors such as the extent to which trading in the underlying securities is not occurring or whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present, in addition to other factors that may be relevant. If the IIV (as defined in Commentary .01 to Rule 5.2(j)(3)) or the value of the 2021 Index or 2022 Index is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or the 2021 Index value or 2022 Index value occurs. If the interruption to the dissemination of the IIV, 2021 Index value or 2022 Index value persists past the trading day in which it occurred, the Exchange will halt trading.

### Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit 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 Equity Trading Permit 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 IIV will not be calculated or publicly disseminated; (4) how

information regarding the IIV is disseminated; (5) the requirement that Equity Trading Permit 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 a Fund is subject to various fees and expenses described in the Registration Statement. 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)<sup>24</sup> 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 5.2(j)(3). The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority (“FINRA”) on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.<sup>25</sup> The

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<sup>24</sup> 15 U.S.C. 78f(b)(5).

<sup>25</sup> FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this

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

The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the 2021 Index and 2022 Index. As of February 10, 2015, there were 4,217 issues in the 2021 Index. As of February 10, 2015, 6.8% of the weight of the 2021 Index components have a minimum original principal amount outstanding of \$100 million or more. As of February 10, 2015, 72% of the weight of the 2021 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of

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regulatory services agreement.

\$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2021 Index was approximately \$ 38.9 billion and the average dollar amount outstanding of issues in the 2021 Index was approximately \$9.2 million. Further, the most heavily weighted component represented 0.57% of the weight of the 2021 Index and the five most heavily weighted components represented 2.51% of the weight of the 2021 Index.<sup>26</sup> Therefore, the Exchange believes that, notwithstanding that the Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 4217 issues. In addition, the 2021 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72%) of the 2021 Index weight is comprised of maturities that are part of a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of Index issues.

As of February 10, 2015, there were 3473 issues in the 2022 Index. As of February 10, 2015, 5.8 % of the weight of the 2022 Index components have a minimum original principal amount outstanding of \$100 million or more. As of February 10, 2015, 72.4% of the weight of the 2022 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering.

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<sup>26</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

In addition, the total dollar amount outstanding of issues in the 2022 Index was approximately \$30.5 billion and the average dollar amount outstanding of issues in the 2022 Index was approximately \$8.8 million. Further, the most heavily weighted component represented 0.55% of the weight of the 2022 Index and the five most heavily weighted components represented 2.67% of the weight of the 2022 Index.<sup>27</sup> Therefore, the Exchange believes that, notwithstanding that the 2022 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the 2022 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3473 issues. In addition, the 2022 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (72.4%) of the 2022 Index weight is comprised of maturities that are part of an offering with a minimum original principal amount outstanding of \$100 million or more, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of 2022 Index issues, as referenced above.

The 2021 Index value and 2022 Index value, calculated and disseminated at least once daily, as well as the components of the 2021 Index and 2022 Index and their percentage weightings, will be available from major market data vendors. In addition, the portfolio of securities held by the Funds will be disclosed on the Funds' website at [www.iShares.com](http://www.iShares.com). The IIV for Shares of the Funds will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the

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<sup>27</sup> Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

Exchange's Core Trading Session. According to the Registration Statement, BFA expects that, over time, a Fund's tracking error will not exceed 5%. BFA represents that bonds that share similar characteristics, as described above, tend to trade similarly to one another; therefore, within these categories, the issues may be considered fungible from a portfolio management perspective. Within a single municipal bond issuer, BFA represents that separate issues by the same issuer are also likely to trade similarly to one another. In addition, BFA represents that individual CUSIPs within the 2021 Index and 2022 Index that share characteristics with other CUSIPs based on the four categories described above have a high yield to maturity correlation, and frequently have a correlation of one or close to one.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. The Funds' portfolio holdings will be disclosed on the Funds' website daily after the close of trading on the Exchange and prior to the opening of trading on the Exchange the following day. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current values of the 2021 Index and 2022 Index will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Funds will include the prospectus for 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. If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. If the IIV, the 2021 Index value or the 2022 Index value are not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the IIV, the 2021 Index value or the 2022 Index value occurs. If the interruption to the dissemination of the IIV, the 2021 Index value or the 2022 Index value persists past the trading day in which it occurred, the Corporation will halt trading. Trading in Shares of the Funds 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 7.34, which sets forth circumstances under which Shares of the Funds may be halted. In addition, investors will have ready access to information regarding the IIV, 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 an additional type of exchange-traded fund that holds municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the IIV and quotation and last sale information for the Shares.

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 another exchange-traded product that holds municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2015-25 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-2015-25. 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](http://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-2015-25 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.<sup>28</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>28</sup> 17 CFR 200.30-3(a)(12).



