

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67729; File No. SR-NYSEArca-2012-92)

August 24, 2012

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of 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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 16, 2012, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to list and trade under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02, the shares of the following two series of iShares Trust: iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares (“Shares”) of the following two series of iShares Trust (“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: iShares 2018 S&P AMT-Free Municipal Series (“2018 Fund”) and iShares 2019 S&P AMT-Free Municipal Series³ (“2019 Fund” and, together with the 2018 Fund,

³ The Commission has previously approved listing and trading of Units based on certain fixed income indexes. See, e.g., Securities Exchange Act Release No. 48662 (October 20, 2003), 68 FR 61535 (October 28, 2003) (SR-PCX-2003-41) (approving trading either by listing or pursuant to unlisted trading privileges of certain fixed income exchange-traded funds). In addition, the Commission has approved NYSE Arca generic listing rules for Units based on a fixed income index in Securities Exchange Act Release No. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36). The Commission has approved pursuant to Section 19(b)(2) of the Exchange Act the listing on the American Stock Exchange (“Amex”) of exchange-traded funds based on fixed income indexes. See, e.g., Securities Exchange Act Release No. 48534 (September 24, 2003), 68 FR 56353 (September 30, 2003) (SR-Amex-2003-75) (order approving listing on Amex of eight series of iShares Lehman Bond Funds). 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 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). 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).

“Funds”).⁴

Blackrock Fund Advisors (“BFA”) is the investment adviser for the Funds. SEI Investments Distribution Co. is the Funds’ distributor (“Distributor”).

iShares 2018 S&P AMT-Free Municipal Series

The 2018 Fund will seek investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P AMT-Free Municipal Series 2018 IndexTM (“2018 Index”).⁵ The 2018 Fund will not seek to return any predetermined amount at maturity.

According to the 2018 Registration Statement, the 2018 Index measures the performance of investment-grade U.S. municipal bonds maturing in 2018. As of May 1, 2012, there were 1,443 issues in the 2018 Index.

The 2018 Index includes municipal bonds primarily from issuers that are state or local governments or agencies (including the Commonwealth of Puerto Rico and U.S. territories such

⁴ See Post-Effective Amendment No. 745 (with respect to the 2018 Fund, “2018 Registration Statement”) and Post-Effective Amendment No. 746 (with respect to the 2019 Fund, “2019 Registration Statement”) to the Trust’s registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-1), each dated June 29, 2012 (File Nos. 333-92935 and 811-09729) (collectively, “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”).

⁵ Each of the 2018 Index and 2019 Index (as defined below) (collectively, “Underlying Indexes”) is sponsored by an organization (“Index Provider”) that is independent of the Funds and BFA. The Index Provider determines the composition and relative weightings of the securities in the Underlying Indexes and publishes information regarding the market value of the Underlying Indexes. The Index Provider with respect to the Underlying Indexes is Standard & Poor’s Financial Services LLC (a subsidiary of The McGraw-Hill Companies) (“S&P”). 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 Underlying Indexes.

as the U.S. Virgin Islands and Guam) 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 Investors Service, Inc. (“Moody’s”), or BBB- by Fitch, Inc. and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2018 Index. To remain in the 2018 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2018 Index will mature between June 1 and August 31 of 2018. When a bond matures in the 2018 Index, an amount representing its value at maturity will be included in the 2018 Index throughout the remaining life of the 2018 Index, and any such amount will be assumed to earn a rate equal to the performance of the S&P’s Weekly High Grade Index, which consists of Moody’s Investment Grade-1 municipal tax-exempt notes that are not subject to federal AMT. By August 31, 2018, the 2018 Index is expected to consist entirely of cash carried in this manner. The 2018 Index is a market value weighted index and is rebalanced after the close on the last business day of each month.

The Exchange is submitting this proposed rule change because the 2018 Index for the 2018 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 2018 Index meets all such requirements except for those set forth in Commentary .02(a)(2).⁶ Specifically, as of May 1, 2012, 9.95% of the weight of the 2018 Index components have a minimum original principal amount outstanding of \$100 million or more.

The 2018 Fund generally will invest at least 80% of its assets in the securities of the 2018

⁶ 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.

Index, except during the last months of such Fund's operations, as described below. The 2018 Fund may at times invest up to 20% of its assets in cash and cash equivalents (including money market funds affiliated with BFA), as well as in municipal bonds not included in the 2018 Index, but which BFA believes will help the 2018 Fund track the 2018 Index. For example, the 2018 Fund may invest in municipal bonds not included in the 2018 Index in order to reflect prospective changes in the 2018 Index (such as 2018 Index reconstitutions, additions, and deletions). The 2018 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, effective beginning in 2013, a federal Medicare contribution tax of 3.8% on "net investment income," including dividends, interest, and capital gains. In addition, the 2018 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 2018 Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including without limitation, 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 2018 Index. On or about August 31, 2018, the 2018 Fund will wind up and terminate, and its net assets will be distributed to then-current shareholders.

As of May 1, 2012, 81.50% of the weight of the 2018 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 2018 Index was approximately \$16.59 billion and the average dollar amount outstanding of issues in the 2018 Index was approximately \$11.50 million. Further, the most heavily weighted component represents 4.06%

of the weight of the 2018 Index, and the five most heavily weighted components represent 8.20% of the weight of the 2018 Index.⁷ Therefore, the Exchange believes that, notwithstanding that the 2018 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a)(2), the 2018 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 1,443 issues. In addition, the 2018 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (81.50%) of the 2018 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 2018 Index issues, as referenced above.

In addition, the average daily notional trading volume for 2018 Index components for the period April 1, 2011 to April 30, 2012 was \$12,417,528, and the sum of the notional trading volumes for the same period was approximately \$3.38 billion. As of May 1, 2012, 54.78% of the 2018 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2018 Index value, calculated and disseminated at least once daily, as well as the components of the 2018 Index and their percentage weightings, will be available from major market data vendors. In addition, the portfolio of securities held by the 2018 Fund will be disclosed on the Fund's website at www.iShares.com.

iShares 2019 S&P AMT-Free Municipal Series

The 2019 Fund will seek investment results that correspond generally to the price and

⁷ 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.

yield performance, before fees and expenses, of the S&P AMT-Free Municipal Series 2019 IndexTM (“2019 Index”).⁸ The 2019 Fund will not seek to return any predetermined amount at maturity.

According to the 2019 Registration Statement, the 2019 Index measures the performance of investment-grade U.S. municipal bonds maturing in 2019. As of May 1, 2012, there were 1,157 issues in the 2019 Index.

The 2019 Index includes municipal bonds primarily from issuers that are state or local governments or agencies (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) such that the interest on the bonds is exempt from U.S. federal income taxes and the federal AMT. Each bond must have a rating of at least BBB- by S&P, Baa3 by Moody’s, or BBB- by Fitch, Inc. and must have a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2019 Index. To remain in the 2019 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million as of each rebalancing date. All bonds in the 2019 Index will mature between June 1 and August 31 of 2019. When a bond matures in the 2019 Index, an amount representing its value at maturity will be included in the 2019 Index throughout the remaining life of the 2019 Index, and any such amount will be assumed to earn a rate equal to the performance of the S&P’s Weekly High Grade Index, which consists of Moody’s Investment Grade-1 municipal tax-exempt notes that are not subject to federal AMT. By August 31, 2019, the 2019 Index is expected to consist entirely of cash carried in this manner. The 2019 Index is a market value weighted index and is rebalanced after the close on the last business day of each month.

The Exchange is submitting this proposed rule change because the 2019 Index for the

⁸ S&P is the 2019 Fund’s Index Provider. See note 5, supra.

2019 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 listing of Units based on fixed income securities indexes. The 2019 Index meets all such requirements except for those set forth in Commentary .02(a)(2).⁹ Specifically, as of May 1, 2012, 9.62% of the weight of the 2019 Index components have a minimum original principal amount outstanding of \$100 million or more.

The 2019 Fund generally will invest at least 80% of its assets in the securities of the 2019 Index, except during the last months of the 2019 Fund’s operations, as described below. The Fund may at times invest up to 20% of its assets in cash and cash equivalents (including money market funds affiliated with BFA), as well as in municipal bonds not included in the 2019 Index, but which BFA believes will help the 2019 Fund track the 2019 Index. For example, the 2019 Fund may invest in municipal bonds not included in the 2019 Index in order to reflect prospective changes in the 2019 Index (such as 2019 Index reconstitutions, additions, and deletions). The 2019 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, effective beginning in 2013, a federal Medicare contribution tax of 3.8% on “net investment income,” including dividends, interest, and capital gains. In addition, the 2019 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 2019 Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including without limitation, 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 2019 Index. On or about August 31, 2019, the 2019 Fund will wind up and

⁹ See note 6, *supra*.

terminate, and its net assets will be distributed to then-current shareholders.

As of May 1, 2012, 81.66% of the weight of the 2019 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 2019 Index was approximately \$13.50 billion, and the average dollar amount outstanding of issues in the 2019 Index was approximately \$11.67 million. Further, the most heavily weighted component represents 3.67% of the weight of the 2019 Index, and the five most heavily weighted components represent 9.62% of the weight of the 2019 Index.¹⁰ Therefore, the Exchange believes that, notwithstanding that the 2019 Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a)(2), the 2019 Index is sufficiently broad-based to deter potential manipulation, given that the 2019 Index is comprised of approximately 1,157 issues. In addition, the 2019 Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (81.66%) of the 2019 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 2019 Index issues, as referenced above.

In addition, the average daily notional trading volume for 2019 Index components for the period April 1, 2011 to April 30, 2012 was \$ 14,434,454, and the sum of the notional trading volumes for the same period was approximately \$3.93 billion. As of May 1, 2012, 52.52% of the 2019 Index weight consisted of issues with a rating of AA/Aa2 or higher.

The 2019 Index value, calculated and disseminated at least once daily, as well as the

¹⁰ See note 7, supra.

components of the 2019 Index and their percentage weightings, will be available from major market data vendors. In addition, the portfolio of securities held by the 2019 Fund will be disclosed on the Fund's website at www.iShares.com.

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

The Exchange represents that: (1) except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the Shares of the Funds 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; and (3) the Trust is required to comply with Rule 10A-3 under the Exchange Act¹¹ for the initial and continued listing of the Shares. In addition, the Exchange represents that the Shares 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 Underlying Indexes and the applicable Intraday Indicative Value ("IIV"),¹² 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

¹¹ 17 CFR 240.10A-3.

¹² 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.

of Units.¹³

The current value of the 2018 Index and 2019 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 each 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 each of 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, purpose (i.e., general obligation bonds, revenue bonds, or “double-barreled” bonds),¹⁴ geographical region, 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

¹³ 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).

¹⁴ 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 May 1, 2012, the market value of GO, REV, and DB bonds in the 2018 Index was approximately \$6.1 billion, \$6.56 billion, and \$1.26 billion, respectively, representing 36.21%, 39.53%, and 7.62% of the 2018 Index weight, respectively. As of May 1, 2012, the market value of GO, REV, and DB bonds in the 2019 Index was approximately \$4.82 billion, \$5.21 billion, and \$1.16 billion, respectively, representing 43.11%, 46.54%, and 10.34% of the 2019 Index weight, respectively.

of developing an investment strategy. Therefore, while 9.95% of the weight of the 2018 Index components and 9.62% of the weight of the 2019 Index 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, purpose, geographical region, 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 2018 and 2019 Indexes 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.

The following examples, which are based on the top 100 index constituents in the 2018 Index and 2019 Index, respectively, by weight and sampling of each category, reflect the yield to

maturity correlation among CUSIPs in each Index.¹⁵ These examples show the correlation of selected constituents in each Index that share three common characteristics: rating, purpose, and geographical region.

Example 1: 2018 Index; yield to maturity of issues sharing three common characteristics: Rating AAA / Aaa;¹⁶ Western Region; GO Bonds

Security	917542RT1	917542QQ8	917542SR4	917542PJ5	917542PK2	917542PLO	917542PQ9
917542RT1	1						
917542QQ8	1	1					
917542SR4	1	1	1				
917542PJ5	0.996	0.996	0.996	1			
917542PK2	0.996	0.996	0.996	1	1		
917542PLO	0.996	0.996	0.996	1	1	1	
917542PQ9	0.996	0.996	0.996	1	1	1	1

Example 2: 2019 Index: Rating AAA / Aaa; Southeast Region; GO Bonds

Security	373384PL4	658256H39	880541SL2	83710D3Y2	34153PYX0	34153PNF1	373383GK8
373384PL4	1.000						
658256H39	0.996	1.000					
880541SL2	0.992	0.977	1.000				
83710D3Y2	0.996	0.994	0.990	1.000			
34153PYX0	0.974	0.979	0.951	0.979	1.000		
34153PNF1	0.974	0.979	0.951	0.979	1.000	1.000	
373383GK8	1.000	0.995	0.993	0.996	0.973	0.973	1.000

Creation and Redemption of Shares

According to the Registration Statements, the Funds 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

¹⁵ The correlation data below is based on data from Bloomberg, reflecting yield to maturity over a one year period from May 1, 2011 to May 1, 2012.

¹⁶ 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.

Shares (or multiples thereof) required for each Creation Unit, if such Fund determines such a change would be in the best interests of such Fund.

The consideration for purchase of Creation Units of each Fund generally will consist of the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted) (i.e., Deposit Securities), which constitutes a representative sample of the securities of the applicable Underlying Index,¹⁷ 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 the respective Fund.

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

¹⁷ According to the Registration Statements, “representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the applicable Underlying Index. 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 applicable Underlying Index. The Funds may or may not hold all of the securities in the applicable Underlying Index.

between the NAV per Creation Unit and the Deposit Amount. Each 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 each Fund.

The identity and number or par value of the Deposit Securities will change pursuant to changes in the composition of the respective 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 each 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 applicable Underlying 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 Registration Statements) with the Distributor (“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 the respective 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, the Funds 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 each 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 the Funds may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Distributor and only on a business day. BFA will make available through the NSCC, prior to the opening of business on the Exchange on each business day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (“Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units.

Unless cash redemptions are available or specified for the respective Fund, the

redemption proceeds for a Creation Unit generally will consist of a specified amount of cash, Fund Securities, plus additional cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a request in proper form, and the value of the specified amount of cash and Fund Securities, less a redemption transaction fee. Each Fund currently will redeem Shares for Fund Securities, but each Fund reserves the right to utilize a “cash” option for redemption of Shares.

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

Redemption requests for Creation Units of the Funds 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 each Fund to the Distributor in accordance with procedures set forth in the Authorized Participant Agreement.

Detailed descriptions of the Funds, the Underlying Indexes, 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), as applicable.

2. Statutory Basis

The basis under the Exchange Act for this proposed rule change is the requirement under Section 6(b)(5)¹⁸ 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

¹⁸ 15 U.S.C. 78f(b)(5).

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 has in place surveillance procedures that are adequate to properly monitor trading in the Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other exchanges that are members of ISG or with which the Exchange has entered into 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 Underlying Indexes. With respect to the 2018 Fund, as of May 1, 2012, there were 1,443 issues in the 2018 Index. As of May 1, 2012, 81.50% of the weight of the 2018 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 2018 Index was approximately \$16.59 billion and the average dollar amount outstanding of issues in the 2018 Index was approximately \$11.50 million. Further, the most heavily weighted component represents 4.06% of the weight of the 2018 Index and the five most heavily weighted components represent 8.20% of the weight of the 2018 Index. Therefore, the 2018 Index is sufficiently broad-based and sufficiently liquid to deter potential manipulation. With respect to the 2019 Fund, as of May 1, 2012, there were 1,157 issues in the 2019 Index. As of May 1, 2012, 81.66% of the weight of the 2019 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 2019 Index was approximately \$13.50 billion and the average dollar amount outstanding of issues in the 2019 Index was approximately \$11.67 million. Further, the most heavily weighted component represents 3.67% of the weight of the 2019 Index and the five most heavily weighted components represent 9.62% of the weight of the 2019 Index. Therefore, the 2019 Index is sufficiently broad-based and sufficiently liquid to deter potential manipulation. The 2018 Index value and 2019 Index value, calculated and disseminated at least once daily, as well as the components of the 2018 Index and 2019 Index and their respective percentage weightings, will be available from major market data vendors. In addition, the portfolio of securities held by the 2018 Fund and 2019 Fund will be disclosed on the Funds' website at www.iShares.com. The IIV for Shares of each 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. According to the Registration Statements, BFA expects that, over time, each 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 2018 and 2019 Indexes 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 addition, a large amount of information is 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 value of the Underlying Indexes 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 or the Underlying Index values are not being disseminated as required, NYSE Arca Equities, Inc. ("Corporation") may halt trading during the day in which the interruption to the dissemination of the applicable IIV or Underlying Index value occurs. If the interruption to the dissemination of the applicable IIV or Underlying 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 additional types of exchange-traded funds 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 purposes of the Act.

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 within

such longer period (i) as the Commission may designate up to 90 days of such date 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 shall:

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2012-92 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NYSEArca-2012-92. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File No. SR-NYSEArca-2012-92 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Kevin M. O'Neill
Deputy Secretary

¹⁹ 17 CFR 200.30-3(a)(12).