



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

January 31, 2019

**Response of the Office of Mergers and Acquisitions
Division of Corporation Finance**

Via Email

P. Georgia Bullitt, Esq.
Willkie Farr & Gallagher LLP
GBullitt@willkie.com

**Re: iShares Trust
Request for Exemptive Relief from Exchange Act Rule 14e-5**

Dear Ms. Bullitt:

We are responding to your letter dated December 1, 2018, addressed to Ted Yu and Daniel Duchovny, with regard to your request for exemptive relief. To avoid having to recite or summarize the facts set forth in your letter, we attach a copy of your letter. Unless otherwise noted, capitalized terms in this response letter have the same meaning as in your letter dated December 1, 2018.

On the basis of the representations made and the facts presented in your December 1, 2018 letter, the Division of Corporation Finance, acting for the Commission pursuant to delegated authority, by separate order is granting an exemption from Exchange Act Rule 14e-5. We note in particular that our grant of relief is conditioned upon the following:

- no purchases of subject securities or related securities made by broker-dealers acting as dealer-managers of a tender offer would be effected for the purpose of facilitating a tender offer;
- any purchases of a portfolio security by a dealer-manager during a tender offer will be effected as adjustments to a basket of securities in the ordinary course of business as a result of a change in the composition of the Preferred Funds' portfolio; and
- except for the relief specifically granted herein, any broker-dealer acting as a dealer-manager of a tender offer will comply with Exchange Act Rule 14e-5.

The foregoing exemptive relief is based solely on the representations and the facts presented in your letter. The exemptive relief granted is strictly limited to the application of Exchange Act Rule 14e-5 to the transactions described in your letter. These transactions should be discontinued pending further consultations with the Commission staff if any of the facts or representations set forth in your letter change. In addition, this exemptive relief is subject to modification or revocation if at any time the Commission or the Division of Corporation Finance determines that such action is necessary or appropriate in furtherance of the purposes of the Exchange Act.

We also direct your attention to the anti-fraud and anti-manipulation provisions of the federal securities laws. The transactions and covered persons within the scope of this exemptive relief must comply with these and any other applicable provisions of the federal securities laws. The Division of Corporation Finance expresses no view with respect to any other questions that these transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, these transactions.

Sincerely,

/s/ Ted Yu

Ted Yu
Chief, Office of Mergers and Acquisitions
Division of Corporation Finance

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

January 31, 2019

In the Matter of iShares Trust

ORDER GRANTING EXEMPTION FROM
EXCHANGE ACT RULE 14E-5

iShares Trust submitted a letter dated December 1, 2018 requesting that the Securities and Exchange Commission (“Commission”) grant an exemption from Exchange Act Rule 14e-5 for the transactions described in its letter (“Request”).

Based on the representations and the facts presented in the Request, and subject to the terms and conditions described in the letter from the Division of Corporation Finance dated January 31, 2019, it is ORDERED that the request for an exemption from Exchange Act Rule 14e-5 is hereby granted.

For the Commission, by the Division of Corporation Finance, pursuant to delegated authority.

Brent J. Fields
Secretary

Action as set forth or recommended herein APPROVED
pursuant to authority delegated by the Commission under
Public Law 87-592.

For: Division of Corporation Finance

By: /s/ Ted Yu

Date: 1/31/2019

December 1, 2018

Mr. Ted Yu, Chief
Mr. Daniel Duchovny, Special Counsel
Office of Mergers and Acquisitions
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Request of iShares Trust for Exemptive Relief from Rule 14e-5 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)

Dear Messrs. Yu and Duchovny:

On behalf of iShares Trust (the “**Trust**”), we respectfully request relief under the Exchange Act, on behalf of the Trust and the market participants discussed below (including Participating Parties, Authorized Participants, Soliciting Dealers and Market Participant Covered Persons, each as defined below), with respect to the series of the Trust identified herein. The Trust was organized on December 16, 1999 as a Delaware statutory trust and is registered with the U.S. Securities and Exchange Commission (the “**Commission**” or the “**SEC**”) under the Investment Company Act of 1940, as amended (the “**1940 Act**”), as an open-end management investment company. The Trust currently consists of over 200 investment series or portfolios.

This letter requests relief for (i) the iShares U.S. Preferred Stock Exchange-Traded Fund (“**PFF**”) and (ii) the iShares International Preferred Stock Exchange-Traded Fund (“**IPFF**”), which are existing series of the Trust, along with (iii) the iShares Inv Grade Preferred and Income Securities Exchange-Traded Fund, which is a newly-created series of the Trust and will be managed to track a Referenced Index (as defined below) comprised of both preferred securities and fixed income securities (“**IGPF**”, and together with PFF and IPFF, collectively, the “**Preferred Funds**” and each a “**Preferred Fund**”). The Preferred Funds are operated as exchange-traded funds (each, an “**ETF**”) organized as open-end management investment companies under the 1940 Act. BlackRock Fund Advisors, the investment adviser to the Preferred Funds (the “**Advisor**”), is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and subject to regulation by the Commission and, to a more limited extent, the States. Each Preferred Fund will invest either in (i) preferred securities or (ii) a combination of preferred securities, hybrid securities and/or fixed income securities, in each case consisting of the component securities (or a representative sampling of the component securities) (the “**Component Securities**”) of an underlying benchmark index (each, a

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

“**Referenced Index**”), consistent with each Preferred Fund’s investment strategy. The Trust will issue and redeem Shares of each Preferred Fund only in aggregation units of at least 50,000 Shares (referred to as “**Creation Units**”).

IGPF is a newly-created series of the Trust that has not yet been launched. The Trust has filed with the Commission a registration statement on Form N-1A for IGPF.¹ The Trust expects to seek approval from Cboe BZX Exchange, Inc. (“**Cboe BZX**”) to have shares (the “**Shares**”) of IGPF listed on Cboe BZX, subject to notice of issuance. PFF was launched on March 26, 2007, and the Shares are listed and trade on NASDAQ Stock Market LLC (“**NASDAQ**” and, together with Cboe BZX, the “**Listing Exchanges**”). IPFF was launched on November 15, 2011, and the Shares are listed and trade on Cboe BZX. Shares of PFF and IPFF were listed pursuant to Rule 19b-4(e) and operate in accordance with the applicable rules of their respective Listing Exchanges, and Shares of IGPF are also expected to be listed under Rule 19-4(e) and to operate under the Cboe BZX rules, which include portfolio liquidity and diversification requirements, among other things.

PFF currently relies for relief with respect to Rule 14e-5 on class relief granted in 2006.² PFF is seeking relief with respect to Rule 14e-5 because PFF plans to adopt a new Referenced Index which will include both preferred securities and hybrid securities (the “**New PFF Referenced Index**”).³ PFF anticipates that, at the time of adoption of the New PFF Referenced Index, PFF will not be able to satisfy one of the conditions in the Equity Class Relief Letter and, therefore, will no longer be able to rely on the Rule 14e-5 relief provided under the Equity Class Relief Letter. IGPF would not currently qualify for existing class relief under the Equity Class Relief Letter at its initial launch.

IPFF operates in compliance with custom relief with respect to Rule 14e-5 granted by the SEC staff (the “**Staff**”) and the Commission for such Preferred Fund.⁴ However, going forward, IPFF would like to rely on the relief requested herein rather than the Custom IPFF Letter for efficiency reasons, so that compliance testing can be carried out in a consistent manner across the various Preferred Funds.

¹ The Trust offers and sells the Shares of PFF and IPFF pursuant to amendments to its Registration Statement (Registration Nos. 811-09729 and 333-92935) on Form N-1A under the 1940 Act and the Securities Act of 1933, as amended (the “**1933 Act**”), and plans to offer and sell Shares of IGPF pursuant to amendments to the Registration Statement. Amendments to the Registration Statement for PFF and IPFF have been filed with the SEC and are effective, and an amendment to the Registration Statement describing IGPF was filed with the SEC on May 26, 2017, but has not yet become effective.

² Letter from James A. Brigagliano, Acting Associate Director, Division of Market Regulation, to Stuart M. Strauss, Esq., Clifford Chance US LLP (October 24, 2006) (the “**Equity Class Relief Letter**”).

³ The Board of Trustees for the Trust (the “**Board**”), at a meeting held in September 2018, approved the replacement of PFF’s current Referenced Index, the S&P U.S. Preferred Stock Index, with a new Referenced Index, which tracks the performance of fixed rate U.S. dollar denominated hybrid securities, preferred stock and convertible preferred stock publicly issued by corporations in the U.S. domestic market.

⁴ Letter from Josephine J. Tao, Assistant Director, Division of Market Regulation, to Matthew B. Comstock, Esq., Willkie Farr & Gallagher LLP (November 3, 2011) (the “**Custom IPFF Letter**”).

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

The Trust, on behalf of itself and the Preferred Funds and persons or entities engaging in transactions in Shares, as the case may be, requests that the Commission grant exemptive relief from Rule 14e-5 under the Exchange Act, as discussed below.

We believe that the requested relief is consistent with the principles underlying the basket exception in Rule 14e-5(b)(5) (the “**Basket Exception**”)⁵ which mitigates against the risk of manipulation, as noted by the Commission in connection with the adoption of Rule 14e-5.⁶ The modifications requested herein to the Basket Exception requirements are sufficiently immaterial so as not to undermine in any way the effectiveness of the Basket Exception to mitigate against manipulation of the market in the face of a tender offer involving one of the securities in the basket. Further, the Staff has previously issued relief substantially similar to that requested herein to other index-based ETFs based on a request for a more expansive reading of the Basket Exception (collectively, the “**Index-Based ETF Letters**”).⁷ The relief requested by the Trust is substantially similar to the relief granted in the Index-Based ETF Letters; therefore, the Trust does not believe that the relief requested raises any significant new regulatory issues.

As discussed further below, creations and redemptions with the Preferred Funds, which the relief sought will cover, will always be carried out on a portfolio or basket basis. Such creation and redemption transactions are within the spirit of the Basket Exception and in keeping with its underlying principles and, furthermore, provide little opportunity for a Market Participant Covered

⁵ See Rule 14e-5(b)(5) excepting from the prohibitions of the Rule purchases or arrangements to purchase a basket of securities containing a subject security or a related security if the following conditions are satisfied: (i) The purchase or arrangement to purchase is made in the ordinary course of business and not to facilitate the tender offer; (ii) the basket contains 20 or more securities; and (iii) covered securities and related securities do not comprise more than 5% of the value of the basket.

⁶ Regulation of Takeovers and Security Holder Communications, SEC Rel. No. 34-42055 (Oct. 22, 1999) (the “**Rule 14e-5 Adopting Release**”) (“We believe that transactions in baskets, following the terms of this exception, provide little opportunity for a covered person to facilitate an offer or for a security holder to exact a premium from the offeror.”).

⁷ See, e.g., Letter from Ted Yu, Chief, Office of Mergers and Acquisitions, Division of Corporation Finance, to Eric S. Purple, Stradley Ronon Stevens & Young, LLP, dated March 26, 2018 (with respect to PowerShares Exchange-Traded Fund Trust); Letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Jack P. Drogin of Morgan, Lewis & Bockius, LLP, dated August 4, 2005 (with respect to the iShares MSCI EAFE Growth Index Fund and iShares MSCI EAFE, Value Index Fund); Letter from James Brigagliano, Assistant Director, Division of Market Regulation, to Jack P. Drogin, Morgan, Lewis & Bockius LLP, dated October 8, 2004 (with respect to the iShares FTSE/Xinhua China 25 Index Fund); Letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Stuart Strauss, Mayer, Brown Rowe & Maw, dated October 21, 2002 (with respect to the Fresco Index Shares Fund); Letters from James A. Brigagliano, Assistant Director, Division of Market Regulation, to W. John McGuire, Morgan, Lewis & Bockius LLP, dated July 25, 2002, to Mary Joan Hoene, Carter, Ledyard & Milburn, dated December 1, 2000, and September 5, 2000, and to Kathleen H. Moriarty, Carter, Ledyard & Milburn, dated May 16, 2000 (with respect to various series of iShares Trust); Letter from James A. Brigagliano, Associate Director, Division of Market Regulation, to Kathleen Moriarty, Carter, Ledyard & Milburn, dated May 21, 2001 (with respect to Vanguard Index Funds); Letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Barry A. Mendelson, The Vanguard Group, dated October 20, 2004 (with respect to Vanguard Index Funds); and Letter from James A. Brigagliano, Assistant Director, Division of Market Regulation, to Kathleen Moriarty, Carter, Ledyard & Milburn, dated March 9, 2005 (with respect to Vanguard Index Funds).

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

Person to facilitate an offer or for a security holder to exact a premium from the offeror, thus warranting relief.

This letter is divided into four parts. Part I describes the parties, including the Preferred Funds; Part II describes transactions in Shares; Part III sets forth the legal analysis under Rule 14e-5 and the request for relief; Part IV is the conclusion.

I. The Parties

A. Preferred Funds

Each Preferred Fund is, or will be, a separate investment portfolio of the Trust, and will be managed to track the investment results of a specified Referenced Index comprised of either: (i) preferred securities or (ii) a combination of preferred securities, hybrid securities and/or fixed income securities. PFF and IPFF currently track Referenced Indexes, licensed from third-party index sponsors, which measure the performance of select groups of preferred stocks. PFF currently seeks to track the investment results of the S&P U.S. Preferred Stock Index,⁸ but, as noted above, expects to replace its current Referenced Index with the New PFF Referenced Index. IPFF currently seeks to track and expects to continue to track the S&P International Preferred Stock Index, which measures the performance of a select group of preferred stocks from non-U.S. developed market issuers and traded in non-U.S. developed market exchanges, as defined by S&P Dow Jones Indices LLC, a subsidiary of S&P Global, Inc. IGPF expects to track the ICE BofAML Investment Grade Preferred & Hybrid Securities Index, which is designed to reflect the performance of fixed and floating rate, investment-grade U.S. dollar-denominated hybrid debt, preferred stock and convertible preferred stock publicly issued in the U.S. Each Preferred Fund's investment objective is not a fundamental policy and can be changed by the Board without shareholder approval.

Each Preferred Fund intends to maintain the required level of diversification and otherwise conduct its operations so as to qualify as a "regulated investment company" for purposes of the Internal Revenue Code of 1986.

B. The Advisor

The Advisor has overall responsibility for the general management and administration of each Preferred Fund. The Advisor provides an investment program for each Preferred Fund and manages the investment of such Preferred Fund's assets. In managing each Preferred Fund, the Advisor may draw upon the research and expertise of its asset management affiliates with respect to certain portfolio securities. In seeking to achieve a Preferred Fund's investment objective, the Advisor uses teams of portfolio managers, investment strategists and other investment specialists.

⁸ The S&P U.S. Preferred Stock Index measures the performance of a select group of preferred stocks listed on the New York Stock Exchange, NYSE Arca, Inc., NYSE Amex, NASDAQ Global Select Market, NASDAQ Select Market, or NASDAQ Capital Market.

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

The Advisor's management and administration of each Preferred Fund is subject to the oversight of the Board.

The Advisor may use a "passive," representative sampling indexing strategy to manage the Preferred Funds. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an 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 and yield) and liquidity measures similar to those of the relevant Referenced Index. A particular Preferred Fund may or may not hold all of the securities in the relevant Referenced Index.

Under the Investment Advisory Agreement between the Advisor and each Preferred Fund, the Advisor is responsible for substantially all expenses of each Preferred Fund, other than management fees, interest expenses, taxes, expenses incurred with respect to the acquisition and disposition of portfolio securities and the execution of portfolio transactions, including brokerage commissions, distribution fees or expenses, litigation expenses and any extraordinary expenses.

BlackRock International Limited currently acts as sub-advisor (the "**Sub-Advisor**") to IPFF. The Sub-Advisor, subject to the supervision and oversight of the Board and the Advisor, will be primarily responsible for the execution of securities transactions outside the United States and Canada and may, from time to time, participate in the management of specified assets in IPFF's portfolio. The Sub-Advisor is registered with the Commission as an investment adviser under the Advisers Act. The Advisor does not expect to appoint a Sub-Advisor for the other Preferred Funds (*i.e.*, PFF and IGPF).

C. The Distributor

BlackRock Investments, LLC (the "**Distributor**"), a broker-dealer registered with the Commission under the Exchange Act and a member of the Financial Industry Regulatory Authority, Inc., acts on an agency basis and currently is each Preferred Fund's "principal underwriter," as defined in Section 2(a)(29) of the 1940 Act. The Trust issues and sells Shares only in Creation Units on a continuous basis through the Distributor at their NAV next determined after receipt of an order in proper form. The Distributor does not maintain a secondary market in the Shares. The Distributor has entered into selected dealer agreements with other broker-dealers or other qualified financial institutions for the sale of Creation Units of Shares ("**Soliciting Dealers**"), and may enter into other such agreements in the future. Such Soliciting Dealers may also be participants in the Depository Trust Company ("**DTC**").

II. Creation and Redemption of Shares

A. Method of Purchase and Creation of Shares

Each Preferred Fund generally offers Creation Units on an in-kind basis. The consideration for purchase of Creation Units of the Shares generally consists of the in-kind deposit of a designated portfolio of securities (including any portion of those securities for which cash may be

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

substituted) (*i.e.*, the “**Deposit Securities**”), and the “**Cash Component**,” 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 Preferred Fund. Deposit Securities are selected by the Preferred Fund based on the portfolio securities (the “**Portfolio Securities**”) held by the Preferred Fund or the Component Securities of the Referenced Index. Portfolio Securities may consist of convertible and non-convertible preferred securities, hybrid securities, and cash and cash equivalent instruments (as defined by the rules of the applicable Listing Exchange). The Portfolio Securities eligible for inclusion in the Referenced Indexes underlying the Preferred Funds include securities issued by companies domiciled in the U.S. and in non-U.S. developed markets. The Referenced Indexes may include securities offered pursuant to Rule 144A under the 1933 Act.

The Cash Component is an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “**Deposit Amount**,” which is an amount equal to the market value of the Deposit Securities. The function of the Cash Component is to compensate for any differences between the NAV per Creation Unit and the Deposit Amount.

The Advisor, through the National Securities Clearing Corporation (“**NSCC**”), makes available on each business day, before the opening of business on the Exchange, the identity and required number of shares of each Deposit Security and the amount of the Cash Component to be included in the current Fund Deposit (based on information at the end of the previous business day). Such Fund Deposit is applicable, subject to certain adjustments, to purchases of Creation Units of shares of the relevant Preferred Fund until such time as the next-announced Fund Deposit is made available.

To be eligible to place orders with the Distributor and to create a Creation Unit of a Preferred Fund, an entity must be: (i) a “**Participating Party**,” *i.e.*, a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the NSCC, (ii) a clearing agency that is registered with the Commission, or (iii) a DTC Participant, and must have executed an agreement with the Distributor with respect to creations and redemptions of Creation Units (“**Participant Agreement**”). A Participating Party that has executed a Participant Agreement is referred to as an “**Authorized Participant**.”

All creation orders must be placed for one or more Creation Units by or through an Authorized Participant and must be received by the Distributor in proper form no later than the time specified in the relevant Fund’s prospectus on any business day in order for the purchase to be effected based on the NAV of the Shares as next determined on such date.

B. Redemption of Shares in Creation Units

Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the relevant Preferred Fund. Orders to redeem Creation Units must be delivered by or through an Authorized Participant. A Preferred Fund will not normally redeem Shares in aggregations less than Creation Units. Beneficial owners must accumulate enough Shares in the secondary market to constitute a Creation Unit in order to be eligible to have such Shares redeemed by the Company.

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

The Advisor makes available through NSCC, immediately prior to the opening of business on the relevant Exchange (normally 9:30 a.m., Eastern time) on each business day, the identity and number of portfolio securities (including any portion of those 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**”) and an amount of cash (the “**Cash Amount**”). Such Fund Securities and the corresponding Cash Amount (each subject to possible amendment or correction) are applicable, in order to effect redemptions of Creation Units of the relevant Preferred Fund, until such time as the next announced composition of the Fund Securities and Cash Amount is made available. Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to purchases of Creation Units.

Unless cash redemptions are available or specified for a Preferred Fund, the redemption proceeds for a Creation Unit generally consist of Fund Securities, plus the Cash Amount, which is an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after receipt of a redemption request in proper form, and the value of the Fund Securities, less the redemption transaction fee or any additional fee described in the Preferred Fund’s registration statement. If Fund Securities have a value greater than the NAV of the Creation Unit, a compensating cash payment equal to such difference is required to be made by or through an Authorized Participant by the redeeming shareholder.

III. Requests for Relief

The Trust, on behalf of itself and the market participants discussed above with respect to the Preferred Funds, hereby requests relief from Rule 14e-5 under the Exchange Act.⁹

Rule 14e-5 prohibits a person who makes a cash tender offer or exchange offer for any equity security from directly or indirectly purchasing such security (or a security immediately convertible into, exchangeable for or exercisable into such security (a “**related security**”)) otherwise than pursuant to such tender offer or exchange offer. Rule 14e-5’s definition of “covered person” also includes the dealer-manager of a tender or exchange offer for an equity security in which a Preferred Fund invests and its affiliates and any adviser to the offeror, its affiliates, the dealer-manager or its affiliates whose compensation is dependent on completion of the tender or exchange offer (each, a “**Market Participant Covered Person**”).

The Trust respectfully requests that the Commission or Staff grant an exemption from Rule 14e-5 to permit any person (including a member or member organization of an Exchange or other market) acting as a Market Participant Covered Person in connection with a tender or exchange offer for any security that is part of a group of securities that is received by a Preferred Fund when it issues a Creation Unit, *i.e.*, Deposit Securities, or part of the group of securities that the Preferred Fund distributes when it redeems a Creation Unit, *i.e.*, Fund Securities, during the existence of such offer, to: (1) redeem Shares in Creation Unit size aggregations to the Preferred Fund for Fund Securities that may include a security subject to the tender or exchange offer or a related security or shares of another ETF holding such security or related security (collectively, “**Subject Securities**”); (2) acquire Subject Securities to deliver to the Preferred Fund for Shares

⁹ 17 C.F.R. § 240.14e-5 (2017).

in connection with a creation order; and (3) engage in secondary market transactions in Shares during such offer. With respect to redemptions, the Trust notes that the acquisition of individual securities held by a Preferred Fund by means of redemptions of Shares would be impractical and extremely inefficient in view of the relatively small number of shares of any one security included in a redemption basket and the requirement that a minimum number of Shares (*i.e.*, a Creation Unit) be redeemed. Further, in no case would redemptions of Shares or secondary market transactions by Market Participant Covered Persons be effected for the purpose of facilitating a tender offer. Accordingly, purchases and redemptions of Shares in the circumstances described would not appear to result in the abuses at which Rule 14e-5 is directed.

In addition, the Trust requests exemptive relief in connection with purchases of Creation Units of a Preferred Fund's Shares by a broker-dealer (including a member or member organization of an Exchange or other market) acting as a Market Participant Covered Person in connection with a tender offer or exchange offer for Subject Securities in which the Preferred Fund invests. In this regard, in connection with purchasing Creation Units, a Market Participant Covered Person may seek to purchase, in the secondary market, securities comprising a basket of Deposit Securities that includes Subject Securities. The Trust acknowledges that the Basket Exception provides an exception to the prohibition for purchases or arrangements to purchase a basket of securities containing a Subject Security if: (i) the purchase or arrangement is made in the ordinary course of business and not to facilitate the tender offer; (ii) the basket contains 20 or more securities; and (iii) covered securities and related securities do not comprise more than 5% of the value of the basket.

The Market Participant Covered Persons will comply with the initial condition of the Basket Exception. As indicated by the Commission in the release adopting Rule 14e-5,¹⁰ transactions in baskets in accordance with the Basket Exception provide little opportunity for a Market Participant Covered Person to facilitate an offer¹¹ or for a security holder to exact a premium from the offeror. The purchase and redemption of ETF creation units typically involve baskets of securities, and broker-dealers acting as Market Participant Covered Persons for securities in which a Preferred Fund invests may be able to rely on the Basket Exception in purchasing Creation Units of a Preferred Fund's Shares. From time to time, however, a change in the composition of a Preferred Fund's Referenced Index may result in a change in a basket that has been established for purposes of purchasing its Creation Units. As a consequence, a basket could contain less than 20 securities and/or covered securities and related securities could comprise more than 5% of the value of a basket. For example, a liquidation of the issuer of one of the securities or a merger involving the acquisition of the issuer of one of the securities could cause the number of securities in a basket to fall below 20 and/or could cause covered securities and related securities to comprise more than 5% of the value of a basket. Additionally, as a result of fluctuations in the market value of the securities held in a basket, covered securities and related securities could, at times, comprise more than 5% of the value of a basket. This would result in

¹⁰ See Rule 14e-5 Adopting Release, *supra* note 6.

¹¹ As discussed in the Rule 14e-5 Adopting Release, "facilitation of an offer" includes purchases intended to bid up the market price of the covered or related security, and includes buying a basket to strip out the covered security in an effort to get the offeror the number of shares it is seeking.

Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

the unavailability of the Basket Exception for a broker-dealer acting as a Market Participant Covered Person in connection with a tender or exchange offer for Subject Securities in which the Preferred Fund invests.

In addition, application of Rule 14e-5's prohibition would impede the valid and useful market and arbitrage activity that would assist secondary market trading and improve Share pricing efficiency. For example, an Authorized Participant may sell portions of Shares of Creation Units to investors and hold the remaining Shares in inventory, believing a market demand exists for the Shares. While holding the remaining Shares, the Authorized Participant may wish to short the portfolio securities of the relevant Preferred Fund in order to hedge its exposure. When the Authorized Participant subsequently purchases portfolio securities to cover its short sales, it may operate outside of the prohibition of Rule 14e-5.

In order to address situations (including but not limited to the foregoing examples) where a basket contains less than 20 securities and/or covered securities and related securities comprise more than 5% of the value of a basket, the Trust respectfully requests exemptive relief under Rule 14e-5 if a broker-dealer (including a member or member organization of an Exchange or other market), acting as a Market Participant Covered Person in connection with a tender or exchange offer for any Subject Securities in which a Preferred Fund invests, purchases such Subject Securities in the secondary market for the purpose of tendering such Subject Securities to purchase one or more Creation Units of the Preferred Fund's Shares, if such purchases are in the ordinary course of business and are not effected for the purpose of facilitating such tender or exchange offer. Relief would be necessary in order to permit such broker-dealers to effect purchases of Subject Securities under such circumstances given that the Basket Exception would not be available. This extension of the Basket Exception would accommodate a potential factual circumstance associated with the operations of ETFs, is similar to the relief granted in the Index-Based ETF Letters¹² and remains consistent with the rationale underlying the adoption of the Basket Exception. Similarly, we note, in particular, that purchases would be in the ordinary course of business and would not be effected for the purpose of facilitating a tender offer and therefore would not appear to result in the abuses at which Rule 14e-5 is directed.

The Trust understands that, except as permitted by the relief from Rule 14e-5 requested herein, any person acting as a Market Participant Covered Person is required to comply with the requirements of Rule 14e-5.

¹² See *supra* note 7.


Mr. Ted Yu
Division of Corporation Finance
December 1, 2018

IV. Conclusion

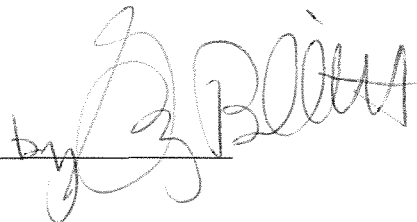
Based on the foregoing, we respectfully request that the Commission or Staff grant the relief requested herein. The form of relief requested is substantially similar to those actions that the Commission and the Staff have taken in similar circumstances.

Thank you for your consideration of this request. Should you have any questions or require additional information, please do not hesitate to call Georgia Bullitt at (212) 728-8250 or Ben Haskin at (202) 303-1124.

Very truly yours,



P. Georgia Bullitt
Partner
Willkie Farr & Gallagher LLP

Ben Haskin by 

Benjamin J. Haskin
Partner
Willkie Farr & Gallagher LLP

cc: Deepa Damre, BlackRock Fund Advisors
Adithya Attawar, BlackRock Fund Advisors
Michael DeNiro, Willkie Farr & Gallagher LLP