

Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR–NASDAQ–2014–009 and should be submitted on or before June 5, 2014.

V. Accelerated Approval of Proposed Rule Change, As Modified by Amendment Nos. 1, 2, and 3

The Commission finds good cause to approve the proposed rule change, as modified by Amendment Nos. 1, 2, and 3 thereto, prior to the thirtieth day after the date of publication of notice in the **Federal Register**. The proposed Amendment No. 1 amended and replaced the proposed rule change in its entirety and supplemented the proposed rule change by: (a) Clarifying the types of Derivative Instruments (as defined above) proposed to be used by the Fund; (b) providing specific representations relating the use of these Derivative Instruments; (c) providing additional information as to the valuation of these Derivative Instruments for purposes of determining NAV (as defined herein); (d) providing additional information as to the availability of pricing for the Derivative Instruments to market participants, as well as information relating to the Derivative Instruments as part of the Disclosed Portfolio (as defined herein); and (e) providing additional details as to the Exchange's surveillance procedures with respect to the Derivative Instruments.²⁸

The proposed Amendment No. 2 amended and replaced the proposed rule change, as modified by Amendment No. 1 thereto, in its entirety, and supplemented the proposed rule change by: (a) Providing additional information regarding the bank loans in which the Fund would invest, including information relating to the senior loan market and valuation and price availability of bank loans; (b) noting that liquidity determinations would be made in accordance with Commission guidance; (c) clarifying that the Fund's investments in Derivative Instruments would be limited in all cases to 30% of the Fund's net assets, regardless of whether Derivative Instruments would be used solely for hedging purposes; (d)

representing that at least 90% of the Fund's net assets invested in Derivative Instruments would trade in markets that are members of the ISG (as defined herein) or are parties to a comprehensive surveillance sharing agreement with the Exchange; (e) providing additional information relating to valuation and price availability of Derivative Instruments; and (f) clarifying in detail what information the Disclosed Portfolio (as defined herein) would provide as a result of the Fund's investments in bank loans and Derivative Instruments.²⁹

The proposed Amendment No. 3 amended and replaced the proposed rule change, as modified by Amendment No. 2 thereto, in its entirety, and supplemented the proposed rule change by: (a) Clarifying that at least 75% of the Fund's net assets that are invested in bank loans would be invested in tranches that have a minimum principal amount outstanding of \$100 million or more with respect to U.S. borrowers and \$200 million or more with respect to non-U.S. borrowers; (b) clarifying that at least 90% of the Fund's net assets in Derivative Instruments would be invested in Derivative Instruments that trade in markets that are members of the ISG (as defined herein), which includes, among others, certain U.S. futures exchanges; and (c) replacing certain references to "securities" with "assets" for purposes of describing NAV valuation.³⁰

The Commission believes that the additional information and clarifications reflected in the proposed rule change, as modified by Amendment Nos. 1, 2 and 3 thereto, regarding the Fund's investments in bank loans and Derivative Instruments, will benefit investors and other market participants. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,³¹ to approve the proposed rule change, as modified by Amendment Nos. 1, 2, and 3, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,³² that the proposed rule change (SR–NASDAQ–2014–009), as modified by Amendment Nos. 1, 2, and 3 thereto, be, and it hereby is, approved on an accelerated basis.

²⁹ See *supra* note 6 and accompanying text.

³⁰ See *supra* note 7 and accompanying text.

³¹ 15 U.S.C. 78s(b)(2).

³² *Id.*

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Kevin M. O'Neill,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72139; File No. SR–NYSEArca–2014–45]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Relating to PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio

May 9, 2014.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 (the "Act") ² and Rule 19b–4 thereunder,³ notice is hereby given that, on April 25, 2014, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes a rule change relating to the listing and trading of the following series of Investment Company Units that are currently listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3): PowerShares Insured California Municipal Bond Portfolio; PowerShares Insured National Municipal Bond Portfolio; and PowerShares Insured New York Municipal Bond Portfolio. The text of the proposed rule change is available on the Exchange's Web site at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

³³ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

²⁸ See *supra* note 4 and accompanying text.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange currently lists and trades shares of the PowerShares Insured California Municipal Bond Portfolio ("CA Portfolio"), PowerShares Insured National Municipal Bond Portfolio ("National Portfolio") and PowerShares Insured New York Municipal Bond Portfolio ("NY Portfolio", and, together with the CA Portfolio and the National Portfolio, the "Municipal Bond Portfolios" or the "Funds")⁴ 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.⁵ The Funds are series of the PowerShares Exchange-Traded Fund Trust II ("Trust").⁶

⁴ On February 27, 2014, the Trust filed a post-effective amendment on Form 485 under the Securities Act of 1933 (15 U.S.C. 77a) ("1933 Act") to its registration statement on Form N-1A under the 1933 Act and the Investment Company Act of 1940 ("1940 Act") (15 U.S.C. 80a-1) (File Nos. 333-138490 and 811-21977) (the "Registration Statement"). The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement. 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. 27841 (May 25, 2007) (File No. 812-13335) ("Exemptive Order").

⁵ The Municipal Bond Portfolios were initially listed on the American Stock Exchange, Inc. ("Amex") (now NYSE MKT) on October 11, 2007 pursuant to the generic listing criteria of Amex Rule 1000A. On November 3, 2008, the listings transferred from the Amex to NYSE Arca, which changes were effected pursuant to NYSE Arca Equities Rule 5.2(j)(3), Commentary .02.

⁶ 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 No. 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

Invesco PowerShares Capital Management LLC is the investment adviser ("Adviser") for the Funds. Invesco Distributors, Inc. is the Funds' distributor ("Distributor"). The Bank of New York Mellon is the administrator, custodian and fund accounting and transfer agent for each Fund.

The Exchange is submitting this proposed rule change (1) to permit the continued listing and trading of shares ("Shares") of the Funds following previous changes to the indexes underlying the Funds, as described below, and (2) to propose changes to the indexes underlying the Funds and new names for the Funds, as described below.

Municipal Bond Portfolios

On May 28, 2009, the municipal bond indexes underlying the CA Portfolio; the National Portfolio; and the NY Portfolio were changed to the Merrill Lynch California Insured Long-Term Core Plus Municipal Securities Index, the Merrill Lynch National Insured Long-Term Core Plus Municipal Securities Index, and the Merrill Lynch New York Insured Long-Term Core Plus Municipal Securities Index, respectively.⁷ On September 25, 2009, the names of the indexes underlying the Municipal Bond Portfolios again were changed to the BofA Merrill Lynch California Insured Long-Term Core Plus Municipal Securities Index ("CA Index"), the BofA Merrill Lynch National Insured Long-Term Core Plus Municipal Securities Index ("National Index"), and the BofA Merrill Lynch New York Insured Long-Term Core Plus Municipal Securities Index, respectively⁸ ("NY Index", collectively, with the CA Index and the National Index, the "Municipal Bond Indexes").⁹

Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 ("iShares Order").

⁷ The changes to the indexes underlying the Municipal Bond Portfolios were reflected in a supplement on Form 497 under the 1933 Act, dated May 28, 2009 ("May 28, 2009 Supplement") to the Municipal Bond Portfolios' prospectus dated February 27, 2009. The previous names of the indexes underlying the Municipal Bond Portfolios were the Merrill Lynch California Insured Long-Term Core Municipal Securities Index, Merrill Lynch National Insured Long-Term Core Municipal Securities Index, and Merrill Lynch New York Insured Long-Term Core Municipal Securities Index, respectively.

⁸ BofA Merrill Lynch is the "Index Provider" with respect to the Municipal Bond Indexes and the "New Municipal Bond Indexes" (as described below). The Index Provider is a broker-dealer and has implemented a firewall with respect to and will maintain procedures designed to prevent the use and dissemination of material non-public information regarding the Municipal Bond Indexes and New Municipal Bond Indexes.

⁹ The September 25, 2009, name changes were reflected in a supplement dated September 25, 2009

The Exchange recently became aware of changes to the indexes underlying the Municipal Bond Portfolios as reflected in the May 28, 2009 Supplement. Currently, therefore, the Municipal Bond Indexes do not meet the generic listing criteria of NYSE Arca Equities Rule 5.2(j)(3), as described below.

Accordingly, the Exchange is submitting this proposed rule change to permit the continued listing of each of the Funds. The Municipal Bond Indexes meet all of the requirements of the generic listing criteria of NYSE Arca Equities Rule 5.2(j)(3), except for those set forth in Commentary .02(a)(2).¹⁰ Specifically, as of March 6, 2014, approximately 34.84%, and 37.16%, and 59.22% of the weight of the components of the CA Index, Core Index and NY Index, respectively, have a minimum original principal amount outstanding of \$100 million or more.

PowerShares Insured California Municipal Bond Portfolio

According to the Registration Statement, the CA Portfolio seeks investment results that generally correspond (before fees and expenses) to the price and yield performance of the CA Index. The CA Portfolio generally invests at least 80% of its total assets in insured municipal securities that are exempt from federal income tax and California state income tax (the "80% policy"). The CA Portfolio normally invests at least 80% of its total assets in the securities that comprise the CA Index and generally expects to so invest at least 90% of its total assets. The CA Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the CA Index to the extent that the Adviser believes investment in such instruments will facilitate the CA Portfolio's ability to achieve its investment objective.

The CA Index is designed to track the performance of U.S. dollar-denominated, investment grade, tax-exempt debt publicly issued by California or U.S. territories (including Puerto Rico), or their political subdivisions, in the U.S. domestic market and includes approximately 267 bonds (as of January 31, 2014). The CA Index is adjusted monthly. The CA

to the Municipal Bond Portfolios' prospectus dated February 27, 2009.

¹⁰ 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.

Portfolio, using an “indexing” investment approach, attempts to replicate, before fees and expenses, the performance of the CA Index through sampling. The Adviser seeks correlation over time of 0.95% or better between the CA Portfolio’s performance and the performance of the CA Index.

As of January 31, 2014, approximately 86.1% of the weight of the CA Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the CA Index was approximately \$17.201 billion and the average dollar amount outstanding of issues in the CA Index was approximately \$64.42 million. Further, the most heavily weighted component represents 3.53% of the weight of the CA Index and the five most heavily weighted components represent 9.94% of the weight of the CA Index.¹¹ Therefore, the Exchange believes that, notwithstanding that the CA Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the CA Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 267 issues and 127 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds). In addition, the CA Index securities are sufficiently liquid to deter manipulation in that a substantial portion (86.1%) of the CA Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of CA Index issues, as referenced above.

In addition, the average daily notional trading volume for CA Index components for the calendar year 2013 was approximately \$27.45 million and the sum of the notional trading volumes for the same period was approximately \$6.9 billion.

PowerShares Insured National Municipal Bond Portfolio

According to the Registration Statement, the National Portfolio seeks investment results that generally correspond (before fees and expenses) to the price and yield performance of the National Index. The National Portfolio will generally invest at least 80% of its total assets in the securities that compose the National Index and generally expects to so invest at least 90% of its total assets. The National Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the National Index to the extent that the Adviser believes such investments will facilitate the National Portfolio’s ability to achieve its investment objective. The National Index is designed to track the performance of U.S. dollar-denominated investment grade insured tax-exempt debt publicly issued by U.S. states and territories (including Puerto Rico), or their political subdivision, in the U.S. domestic market and includes approximately 1,238 bonds (as of January 31, 2014). The National Index is adjusted monthly.

The National Portfolio, using an “indexing” investment approach, attempts to replicate, before fees and expenses, the performance of the National Index through sampling. The Adviser seeks correlation over time of 0.95% or better between the National Portfolio’s performance and the performance of the National Index.

As of January 31, 2014, approximately 89.24% of the weight of the National Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the National Index was approximately \$78.69 billion and the average dollar amount outstanding of issues in the National Index was approximately \$63.56 million. Further, the most heavily weighted component represents 0.88% of the weight of the National Index and the five most heavily weighted components represent 3.51% of the weight of the National Index.¹² Therefore, the Exchange believes that, notwithstanding that the National Index does not satisfy the

criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the National Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 1,238 issues and 521 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds). In addition, the National Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (89.24%) of the National Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of National Index issues, as referenced above.

In addition, the average daily notional trading volume for National Index components for the calendar year 2013 was approximately \$101.99 million and the sum of the notional trading volumes for the same period was approximately \$25.7 billion.

PowerShares Insured New York Municipal Bond Portfolio

According to the Registration Statement, the NY Portfolio seeks investment results that generally correspond (before fees and expenses) to the price and yield performance of the NY Index. The NY Portfolio will generally invest at least 80% of its total assets in insured municipal securities that are exempt from federal income tax, New York State income tax and New York City income tax. The NY Portfolio will normally invest at least 80% of its total assets in the securities that compose the NY Index. The NY Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the NY Index to the extent that the Adviser believes such investments will facilitate the NY Portfolio’s ability to achieve its investment objective.

The NY Index is designed to track the performance of U.S. dollar-denominated, investment grade, tax-exempt debt publicly issued by New York or U.S. territories (including Puerto Rico), or their political subdivisions, included in the U.S. domestic market and includes approximately 130 bonds (as of January

¹¹ See note 11, *supra*, regarding the requirement of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

¹² See note 11, *supra*, regarding the requirement of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

31, 2014). The NY Index is adjusted monthly. The NY Portfolio, using an “indexing” investment approach, attempts to replicate, before fees and expenses, the performance of the NY Index through sampling. The Adviser seeks correlation over time of 0.95% or better between the NY Portfolio’s performance and the performance of the NY Index.

As of January 31, 2014, approximately 95.89% of the weight of the NY Index components was composed 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, as of January, 2014, the total dollar amount outstanding of issues in the NY Index was approximately \$17.76 billion and the average dollar amount outstanding of issues in the NY Index was approximately \$90.58 million. Further, the most heavily weighted component represents 6.14% of the weight of the NY Index and the five most heavily weighted components represent 20.15% of the weight of the NY Index.¹³ Therefore, the Exchange believes that, notwithstanding that the NY Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02 (a)(2), the NY Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 130 issues and 25 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds). In addition, the NY Index securities are sufficiently liquid to deter manipulation in that a substantial portion (95.89%) of the NY Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of NY Index issues, as referenced above.

In addition, the average daily notional trading volume for NY Index components for the calendar year 2013 was approximately \$19.41 million and the sum of the notional trading volumes for the same period was approximately \$4.89 billion.

Changes to Indexes Underlying the Municipal Bond Portfolios

As noted above, the indexes currently underlying the Municipal Bond Portfolios are the BofA Merrill Lynch California Insured Long-Term Core Plus Municipal Securities Index, the BofA Merrill Lynch National Insured Long-Term Core Plus Municipal Securities Index and the BofA Merrill Lynch New York Insured Long-Term Core Plus Municipal Securities Index, respectively. As described below, the Trust has proposed to change the indexes underlying the Funds and the name of the Funds.

On May 10, 2013, the Trust filed with the Commission on Schedule 14A a definitive proxy statement and notice of shareholders meeting calling a meeting on June 20, 2013 (“Proxy Statement”).¹⁴ As stated in the Proxy Statement, each of the Funds has a policy to invest normally at least 80% of its total assets in insured municipal securities (the “80% investment policy”), the income from which is exempt, as applicable, from federal income tax or from both federal and state income tax. As stated in the Proxy Statement, in response to the changing market environment relating to municipal securities insurance, the Adviser proposed that each Fund’s underlying index be changed from one that is composed solely of insured municipal securities to one that is composed of both insured and uninsured municipal securities. However, according to the Proxy Statement, before a Fund can change its underlying index to invest in uninsured municipal securities, it must obtain shareholder approval of a change to its fundamental 80% investment policy. Therefore, the Trust recommended that the fundamental 80% investment policy of each Fund be changed such that (1) it requires an investment of at least 80% of a Fund’s net assets (plus any borrowings for investment purposes), rather than total assets, and (2) it eliminates the requirement that the municipal securities be insured, such that a Fund need only invest 80% of its net assets (plus any borrowings for investment purposes) in municipal securities, regardless of whether those securities are insured or uninsured.

Thus, in the Proxy Statement, the Trust stated that, subject to shareholder approval of the above proposals, each Fund intends to change its underlying index to one that is composed of both insured and uninsured municipal securities. Following such change, the

proposed underlying indexes for the Funds will be, respectively, BofA Merrill Lynch California Long-Term Core Plus Municipal Securities Index (“New CA Index”); BofA Merrill Lynch National Long-Term Core Plus Municipal Index (“New National Index”); and BofA Merrill Lynch New York Long-Term Core Plus Municipal Securities Index (“New NY Index”, collectively, with the New CA Index and the New National Index, the “New Municipal Bond Indexes”).

According to the Proxy Statement, the change in investment objective for each Fund described above is designed to enable each Fund to track its proposed underlying index by substituting the actual name of the proposed underlying index in the investment objective; otherwise, there is no other change to any of the investment objectives. After such change, each Fund’s investment objective will be to seek investment results that generally correspond (before fees and expenses) to the price and yield of its respective proposed underlying index.

In addition, each Fund intends to change its name by removing the word “Insured” and adding the term “AMT-Free” to reflect that the proposed underlying indexes will include primarily municipal securities that are exempt from the alternative minimum tax.¹⁵ After such change, the names of the Funds will be PowerShares California AMT-Free Municipal Bond Portfolio (“New CA Portfolio”), PowerShares National AMT-Free Municipal Bond Portfolio (“New National Portfolio”) and PowerShares New York AMT-Free Municipal Bond Portfolio (“New NY Portfolio”), respectively.¹⁶

The New Municipal Bond Indexes currently do not meet the generic listing criteria of NYSE Arca Equities Rule 5.2(j)(3), as described below. Accordingly, the Exchange is submitting this proposed rule change to permit the

¹⁵ In connection with the addition of the term “AMT-Free” to each Fund’s name, the Trust’s Board of Trustees has adopted a non-fundamental investment policy for each Fund normally to invest at least 80% of its net assets, including the amount of any borrowings for investment purposes, in municipal securities that are exempt from the federal alternative minimum tax.

¹⁶ The shareholders of each Fund have approved these changes contingent upon approval of this proposed rule change. The changes described herein with respect to use of the New Municipal Bond Indexes will be effective upon filing with the Commission of another amendment to the Trust’s Registration Statement, or a prospectus supplement reflecting these changes. The Adviser represents that the Adviser and Sub-Adviser have managed and will continue to manage the Funds in the manner described in the Registration Statement and will not implement the changes described herein until this proposed rule change is operative.

¹³ See note 11, *supra*, regarding the requirement of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

¹⁴ See Definitive Proxy Statement dated May 10, 2013 on Schedule 14A (Proxy Statement Pursuant to Section 14(a) of the Act) (File No. 811-21977).

continued listing of each of the Funds based on the New Municipal Bond Indexes. The New Municipal Bond Indexes meet all of the requirements of the generic listing criteria of NYSE Arca Equities Rule 5.2(j)(3), except for those set forth in Commentary .02(a)(2).¹⁷ Specifically, as of January 31, 2014, approximately 59.51%, 46.90%, and 60.63% of the weight of the components of the New CA Index, New National Index and New NY Index, respectively, have a minimum original principal amount outstanding of \$100 million or more.

PowerShares California AMT-Free Municipal Bond Portfolio

According to the Registration Statement as supplemented by the Proxy Statement, the New CA Portfolio will generally seek investment results that correspond (before fees and expenses) to the price and yield performance of the New CA Index. The New CA Portfolio normally will invest at least 80% of its net assets (plus borrowings for investment purposes, if any) in municipal securities that are exempt from federal income tax and California state income tax. The New CA Portfolio normally will invest at least 80% of its total assets in the securities that compose the New CA Index and generally expects to so invest at least 90% of its total assets.¹⁸ The New CA Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the New CA Index to the extent that the Adviser believes investment in such instruments will facilitate the New CA Portfolio's ability to achieve its investment objective.

The New CA Index is designed to track the performance of U.S. dollar-denominated, investment grade, tax-exempt debt publicly issued by California or U.S. territories (including Puerto Rico), or their political subdivisions, in the U.S. domestic market and includes approximately 1,086 bonds (as of January 31, 2014). The New CA Index is adjusted monthly. The New CA Portfolio, using an "indexing" investment approach, will attempt to replicate, before fees and

expenses, the performance of the New CA Index through sampling. The Adviser will seek correlation over time of 0.95% or better between the New CA Portfolio's performance and the performance of the New CA Index.

As of January 31, 2014, approximately 94.60% of the weight of the New CA Index components was composed 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, as of January, 2014, the total dollar amount outstanding of issues in the New CA Index was approximately \$100.76 billion and the average dollar amount outstanding of issues in the Index was approximately \$92.81 million. Further, the most heavily weighted component represents 1.39% of the weight of the New CA Index and the five most heavily weighted components represent 5.17% of the weight of the CA Index.¹⁹ Therefore, the Exchange believes that, notwithstanding that the New CA Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a)(2), the New CA Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 1,086 issues and 229 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or "double-barreled" bonds). In addition, the New CA Index securities are sufficiently liquid to deter manipulation in that a substantial portion (94.60%) of the New CA Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of New CA Index issues, as referenced above.

In addition, the average daily notional trading volume for New CA Index components for the calendar year 2013 was approximately \$364.22 million and the sum of the notional trading volumes for the same period was approximately \$91.78 billion.

¹⁹ See note 11, *supra*, regarding the requirements of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

PowerShares National AMT-Free Municipal Bond Portfolio

According to the Registration Statement as supplemented by the Proxy Statement, the New National Portfolio generally will seek investment results that correspond (before fees and expenses) to the price and yield performance of the New National Index. The New National Portfolio normally will invest at least 80% of its net assets (plus borrowings for investment purposes, if any) in municipal securities that are exempt from federal income tax. The New National Portfolio will normally invest at least 80% of its total assets in the securities that compose the New National Index and generally expects to so invest at least 90% of its total assets. The New National Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the New National Index to the extent that the Adviser believes such investments will facilitate the New National Portfolio's ability to achieve its investment objective. The New National Index is designed to track the performance of U.S. dollar-denominated investment grade tax-exempt debt publicly issued by U.S. states or U.S. territories (including Puerto Rico), or its political subdivision, in the U.S. domestic market and includes approximately 5,476 bonds (as of January 31, 2014). The New National Index is adjusted monthly.

The New National Portfolio, using an "indexing" investment approach, will attempt to replicate, before fees and expenses, the performance of the New National Index through sampling. The Adviser will seek correlation over time of 0.95% or better between the National Portfolio's performance and the performance of the New National Index.

As of January 31, 2014, approximately 91.86% of the weight of the New National Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the New National Index was approximately \$394.04 billion and the average dollar amount outstanding of issues in the New National Index was approximately \$71.96 million. Further, the most heavily weighted component represents 0.34% of the weight of the New

¹⁷ See note 10, *supra*, regarding the requirements of Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3).

¹⁸ Each Fund is required by Rule 35d-1 under the 1940 Act to invest at least 80% of its *net* assets (plus borrowings for investment purposes, if any) in securities implied by its name. In addition, the Exemptive Order requires each Fund to invest at least 80% of its total assets in securities comprising its underlying index.

National Index and the five most heavily weighted components represent 1.47% of the weight of the New National Index.²⁰ Therefore, the Exchange believes that, notwithstanding that the New National Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a)(2), the New National Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 5,476 issues and 1,259 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds). In addition, the New National Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (91.86%) of the New National Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of New National Index issues, as referenced above.

In addition, the average daily notional trading volume for New National Index components for the calendar year 2013 was approximately \$1.26 billion and the sum of the notional trading volumes for the same period was approximately \$317.73 billion.

PowerShares New York AMT-Free Municipal Bond Portfolio

According to the Registration Statement as supplemented by the Proxy Statement, the New NY Portfolio will seek investment results that correspond (before fees and expenses) generally to the price and yield performance of the New NY Index. The New NY Portfolio will normally invest at least 80% of its net assets in municipal securities that are exempt from federal income tax, New York State income tax and New York City income tax. The NY Portfolio will normally invest at least 80% of its total assets in the securities that compose the New NY Index. The New NY Portfolio, however, reserves the right to invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds, as well as in municipal securities not included in the New NY Index to the extent that the Adviser believes such

investments will facilitate the New NY Portfolio's ability to achieve its investment objective. The Adviser will seek correlation over time of 0.95% or better between the New NY Portfolio's performance and the performance of the New NY Index. The New NY Index is designed to track the performance of U.S. dollar-denominated, investment grade, tax-exempt debt publicly issued by New York or U.S. territories (including Puerto Rico), or their political subdivisions, included in the U.S. domestic market includes approximately 952 bonds (as of January 31, 2014).

As of January 31, 2014, approximately 98.21% of the weight of the New NY Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the New NY Index was approximately \$86.75 billion and the average dollar amount outstanding of issues in the New NY Index was approximately \$91.13 million. Further, the most heavily weighted component represents 1.61% of the weight of the New NY Index and the five most heavily weighted components represent 5.07% of the weight of the New NY Index.²¹ Therefore, the Exchange believes that, notwithstanding that the New NY Index does not satisfy the criterion in NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(a)(2), the New NY Index is sufficiently broad-based to deter potential manipulation, given that it is composed of approximately 952 issues and 67 unique issuers. The Exchange notes that the individual maturities that are part of the same municipal bond offering share common characteristics, such as issuer, rating, structure, and purpose (*i.e.*, general obligation bonds, revenue bonds or “double-barreled” bonds). In addition, the New NY Index securities are sufficiently liquid to deter potential manipulation in that a substantial portion (98.21%) of the New NY Index weight is composed of maturities that are part of a minimum original principal amount outstanding of \$100 million or more for all the maturities of the offering, and in view of the substantial total dollar amount outstanding and the average dollar amount outstanding of

New NY Index issues, as referenced above.

In addition, the average daily notional trading volume for New NY Index components for the calendar year 2013 was approximately \$334.68 million and the sum of the notional trading volumes for the same period was approximately \$84.34 billion.

All components of each of the Municipal Bond Indexes and New Municipal Bond Indexes currently are rated as investment grade (A3 or higher by Moody's Investors Service).

The Exchange represents that: (1) With respect to the Municipal Bond Portfolios, except for Commentary .02(a)(2) to NYSE Arca Equities Rule 5.2(j)(3), the Shares of the Municipal Bond Portfolios 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 the Funds; and (3) the Trust is required to comply with Rule 10A-3²² under the Act for the initial and continued listing of the Shares of the Funds. 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 Index and the applicable Intraday Indicative Value (“IIV”),²³ rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers 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.²⁴

The current value of the Municipal Bond Indexes and New Municipal Bond Indexes are widely disseminated by one or more major market data vendors at

²² 17 CFR 240.10A-3.

²³ 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.

²⁴ 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).

²⁰ See note 11, *supra*, regarding the requirements of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

²¹ See note 11, *supra*, regarding the requirements of Commentary .02(a)(4) to NYSE Arca Equities Rule 5.2(j)(3).

least once per day, as required by NYSE Arca Equities Rule 5.2(j)(3), Commentary .02(b)(ii). The IIVs for Shares of the Funds are 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), and Commentary .01(c), respectively. The components and percentage weightings of each Municipal Bond Index and New Municipal Bond Index are also available from major market data vendors. In addition, the portfolio of securities held by each Fund is disclosed daily on the Funds' Web site at www.invescopowershares.com

Detailed descriptions of the Funds, the Municipal Bond Indexes, the New Municipal Bond 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 Statement or on the Web site for the Funds (www.invescopowershares.com), as applicable.

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under Section 6(b)(5)²⁵ 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 federal securities laws applicable to trading on the Exchange.²⁶ 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 that are members of the Intermarket Surveillance Group ("ISG"). In addition, the Exchange will communicate as needed regarding trading in the Shares with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. The Index Provider is a broker-dealer and has implemented a firewall and will maintain procedures designed to prevent the use and dissemination of material non-public information regarding the Municipal Bond Indexes and New Municipal Bond Indexes.

As discussed above, the Exchange believes that each of the Municipal Bond Indexes is sufficiently broad-based to deter potential manipulation. As of January 31, 2014, approximately 86.1% of the weight of the CA Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the CA Index was approximately \$17.201 billion and the average dollar amount outstanding of issues in the Index was approximately \$64.42 million. Further, the most heavily weighted component represents 3.53% of the weight of the CA Index and the five most heavily weighted components represent 9.94% of the weight of the CA Index.

As of January 31, 2014, approximately 89.24% of the weight of the National Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the National Index was approximately \$78.69 billion and the average dollar amount outstanding of issues in the National Index was approximately \$63.56 million. Further, the most heavily weighted component represents 0.88% of the weight of the National Index and the five most heavily weighted components represent 3.51% of the weight of the National Index.

As of January 31, 2014, approximately 95.89% of the weight of the NY Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the NY Index was approximately \$17.76 billion and the average dollar amount outstanding of issues in the NY Index was approximately \$90.58 million. Further, the most heavily weighted component represents 6.14% of the weight of the NY Index and the five most heavily weighted components represent 20.15% of the weight of the NY Index.

As discussed above, the Exchange further believes that each of the New Municipal Bond Indexes is sufficiently broad-based to deter potential manipulation. As of January 31, 2014, approximately 94.60% of the weight of the New CA Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the New CA Index was approximately \$100.76 billion and the average dollar amount outstanding of issues in the New CA Index was approximately \$92.81 million. Further, the most heavily weighted component represents 1.39% of the weight of the New CA Index and the five most heavily weighted components represent 5.17% of the weight of the New CA Index.

As of January 31, 2014, approximately 91.86% of the weight of the New National Index components was composed 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, as of January 31, 2014, the total dollar amount outstanding of issues in the New National Index was approximately \$394.04 billion and the average dollar amount outstanding of issues in the New National Index was approximately \$71.96 million. Further, the most heavily weighted component represents 0.34% of the weight of the New National Index and the five most heavily weighted components represent 1.47% of the weight of the New National Index.

As of January 31, 2014, approximately 98.21% of the weight of the New NY Index components was composed of individual maturities that were part of an entire municipal bond offering with

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ 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.

a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, as of January 31, 2014, the total dollar amount outstanding of issues in the New NY Index was approximately \$86.75 billion and the average dollar amount outstanding of issues in the New NY Index was approximately \$91.13 million. Further, the most heavily weighted component represents 1.61% of the weight of the New NY Index and the five most heavily weighted components represent 5.07% of the weight of the New NY Index.

The Municipal Bond Indexes and New Municipal Bond Indexes values, calculated and disseminated at least once daily, as well as the components of the Municipal Bond Indexes and New Municipal Bond Indexes and their respective 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' Web site. 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.

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 is publicly available regarding the Funds and the Shares, thereby promoting market transparency. The Funds' portfolio holdings will be disclosed on the Funds' Web site 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 for Shares of the Funds 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 Municipal Bond Indexes and New Municipal Bond 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 Web site 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 applicable IIV, the Municipal Bond Index or New Municipal Bond Index values are not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the applicable IIV, Municipal Bond Index, or New Municipal Bond Index value occurs. If the interruption to the dissemination of the applicable IIV, Municipal Bond Index, or New Municipal Bond 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 applicable 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 continued listing and trading of exchange-traded products that principally hold municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. 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 continued listing and trading of exchange-traded products 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 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 will:

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

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2014-45 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-NYSEArca-2014-45. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2014-45, and should be submitted on or before June 5, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014-11157 Filed 5-14-14; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72138; File No. SR-NYSEArca-2014-23]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change to List and Trade Shares of the iShares Interest Rate Hedged Corporate Bond ETF and iShares Interest Rate Hedged High Yield Bond ETF Under NYSE Arca Equities Rule 8.600

May 9, 2014.

I. Introduction

On March 19, 2014, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Exchange Act")² and Rule 19b-4 thereunder,³ a proposed rule change to list and trade shares ("Shares") of the iShares Interest

Rate Hedged Corporate Bond ETF and iShares Interest Rate Hedged High Yield Bond ETF (each, a "Fund" and collectively, the "Funds"). The proposed rule change was published for comment in the **Federal Register** on March 28, 2014.⁴ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to list and trade the Shares under NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by iShares U.S. ETF Trust ("Trust"). The Trust is registered with the Commission as an open-end management investment company.⁵ BlackRock Fund Advisors ("BFA") will serve as the investment adviser to the Funds ("Adviser"). BlackRock Investments, LLC will be the principal distributor of the Funds' Shares. State Street Bank and Trust Company will serve as the administrator, custodian, and transfer agent for the Funds. The Exchange represents that the Adviser is not registered as a broker-dealer, but is affiliated with multiple broker-dealers and has implemented a fire wall with respect to its broker-dealer affiliates regarding access to information concerning the composition of and changes to each Fund's portfolio.⁶

⁴ See Securities Exchange Act Release No. 71778 (March 24, 2014), 79 FR 17585 ("Notice").

⁵ The Trust is registered under the 1940 Act. On August 22, 2013, the Trust filed with the Commission post-effective amendments on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and under the 1940 Act relating to the iShares Interest Rate Hedged Corporate Bond ETF (the "Corporate Bond Registration Statement") and the iShares Interest Rate Hedged High Yield Bond ETF (the "High Yield Registration Statement" and together with the Corporate Bond Registration Statement, the "Registration Statements") (File Nos. 333-179904 and 811-22649). In addition, the Exchange states that the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 29571 (File No. 812-13601) ("Exemptive Order").

⁶ See Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that in the event (a) the Adviser or any sub-adviser registers as a broker-dealer or becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate regarding access to information concerning the composition of or changes to a Fund's portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding a Fund's portfolio.

The Exchange has made the following representations and statements regarding the Funds.⁷

iShares Interest Rate Hedged Corporate Bond ETF

The Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, investment grade corporate bonds. The Fund will seek to achieve its investment objective by investing, under normal circumstances,⁸ at least 80% of its net assets in U.S. dollar-denominated investment-grade bonds, in one or more investment companies (exchange-traded and non-exchange-traded funds) that principally invest in investment-grade bonds,⁹ in U.S. Treasury securities (or cash equivalents), and by taking short positions in U.S. Treasury futures and other interest rate futures contracts.

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

iShares Interest Rate Hedged High Yield Bond ETF

The Fund will seek to mitigate the interest rate risk of a portfolio composed of U.S. dollar-denominated, high yield corporate bonds. The Fund will seek to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets in U.S. dollar-denominated high yield corporate bonds, in one or more investment companies (exchange-traded and non-

⁷ Additional information regarding the Trust, the Funds, and the Shares, investment strategies, investment restrictions, risks, net asset value ("NAV") calculation, creation and redemption procedures, fees, portfolio holdings, disclosure policies, distributions, and taxes, among other information, is included in the Notice and the Registration Statement, as applicable. See Notice and Registration Statement, *supra* notes 4 and 5, respectively.

⁸ The term "under normal circumstances" includes, but is not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

⁹ Initially, the Fund intends to invest a substantial portion of its assets in the iShares iBoxx \$ Investment Grade Corporate Bond ETF (the "Underlying Corporate Bond Fund").

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.