

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72821; File No. SR-BATS-2014-031)

August 12, 2014

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Reflect Changes to the Means of Achieving the Investment Objective Applicable to the iShares Short Maturity Bond Fund

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

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

The Exchange filed a proposal to reflect changes to the means of achieving the investment objective applicable to the iShares Short Maturity Bond Fund (the “Fund”). The shares of the Fund are currently listed and traded on the Exchange under BATS Rule 14.11(i).

The text of the proposed rule change is available at the Exchange’s website at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed rule change. The text of these 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 Commission has approved listing and trading on the Exchange of shares of the Fund ("Shares"), which are offered by the iShares U.S. ETF Trust (the "Trust"),³ under BATS Rule 14.11(i), which governs the listing of Managed Fund Shares. The Shares are currently listed and traded on the Exchange under BATS Rule 14.11(i).

The Shares are offered by the Trust, which was established as a Delaware statutory trust on June 21, 2011. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A ("Registration Statement") with the Commission.⁴ BlackRock Fund Advisors is the investment adviser ("BFA" or "Adviser") to the Fund.⁵ BlackRock Financial Management, Inc. serves as sub-adviser for the Fund ("Sub-Adviser").⁶ State Street Bank and Trust Company is the

³ See Securities Exchange Act Release No. 67894 (September 20, 2012), 77 FR 59227 (September 26, 2012) (SR-BATS-2012-033 Amendment No. 1) (the "Prior Filing").

⁴ See Registration Statement on Form N-1A for the Trust, dated March 1, 2014 (File Nos. 333-179904 and 811-22649). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Company under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601).

⁵ BlackRock Fund Advisors is an indirect wholly owned subsidiary of BlackRock, Inc.

⁶ The Adviser manages the Fund's investments and its business operations subject to the oversight of the Board of Trustees of the Trust (the "Board"). While BFA is ultimately responsible for the management of the Fund, it is able to draw upon the trading, research

administrator, custodian, and transfer agent for the Trust. BlackRock Investments, LLC (“Distributor”) serves as the distributor for the Trust.

The Exchange proposes to make the following change, described below, to the investment strategy the Sub-Adviser will use to obtain the Fund’s investment objective (the “Proposed Amendment”).⁷ The Prior Filing stated that the Fund will not invest in swap agreements, futures contracts, or option contracts (“Derivatives”), pursuant to the Exemptive Order. However, on December 6, 2012, the Office of Exemptive Applications/Office of Investment Company Regulation, Division of Investment Management, issued an announcement stating that they would not recommend enforcement action to the Commission if actively-managed ETFs such as the Fund invested in swap agreements, futures contracts, or option contracts. Consequently, going forward, while the Fund will continue to invest in the manner described in the Prior Filing, the Fund is proposing to also be allowed to invest in Derivatives. Specifically, the Fund proposes that it may, to a limited extent (under normal circumstances, less than 20% of the Fund’s net assets), engage in transactions in futures contracts and swaps.⁸

and expertise of its asset management affiliates for portfolio decisions and management with respect to portfolio securities. The Adviser also has ongoing oversight responsibility. The Sub-Adviser, subject to the supervision and oversight of the Adviser and the Board, is responsible for day-to-day management of the Fund and, as such, typically makes all decisions with respect to portfolio holdings.

⁷ The Proposed Amendment described herein will be effective upon filing with the Commission of an amendment to the Trust’s Registration Statement or supplement thereto. See *supra* note 4. The Adviser represents that the Adviser and the Sub-Adviser have managed and will continue to manage the Fund in the manner described in the Prior Filing and the Fund will not implement the Proposed Amendment described herein until the instant proposed rule change is operative.

⁸ Derivatives might be included in the Fund’s investments to serve the investment objectives of the Fund. The Fund proposes to invest in interest rate futures (and may reference interest rates or prices of Eurodollars, US federal funds, or Treasury bonds or notes) and fixed-for-floating interest rate swaps, in each case, to manage the Fund’s interest rate exposure. 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 notes that the Commission has approved similar representations relating to issues of Managed Fund Shares proposed to be listed and traded both on the Exchange and on other Exchanges.⁹

The value of the securities and other assets held by the Fund will be determined pursuant to valuation policies and procedures approved by the Board. Futures contracts, including U.S. Treasury futures contracts, will be valued at their last sale price or settlement price as of the close of such exchange. Interest rate swaps are generally valued by pricing services by calculating the new present value of future cash flows according to the terms of the swap agreement. The future cash flows are based on the difference between the agreed fixed rate and estimated level of a defined floating rate on the specified reset date.

Intraday price quotations in swaps of the type proposed to be held by the Fund are available from major broker-dealer firms and from third-parties. Intraday, executable price quotations on futures are available directly from the applicable listing exchange. All such intraday price information is also available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

the Exchange has in place a comprehensive surveillance sharing agreement. The Derivatives will be exchange traded and/or centrally cleared, and they will be collateralized. Derivatives are not a principal investment strategy of the Fund.

⁹ See, e.g., Securities Exchange Act Release Nos. 70986 (December 4, 2013), 78 FR 74212 (December 10, 2013) (SR-BATS-2013-051) (order approving listing and trading on the Exchange of the iShares Liquidity Income Fund); 70773 (October 30, 2013), 78 FR 66409 (November 5, 2013) (SR-NYSEArca-2013-86) (order approving listing and trading on NYSE Arca, Inc. of the Franklin Short Duration U.S. Government ETF); and 70282 (August 29, 2013), 78 FR 54700 (September 5, 2013) (SR-NYSEArca-2013-70) (order approving listing and trading on NYSE Arca, Inc. of First Trust Inflation Managed Fund).

The Adviser represents that there is no change to the Fund's investment objective. The Fund will continue to comply with all initial and continued listing requirements under BATS Rule 14.11(i). Except for the changes noted above, all other representations made in the Prior Filing remain unchanged. The Fund's investments will be in compliance with the 1940 Act and consistent with the Fund's investment objective, and will not be used to enhance leverage.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act¹⁰ in general and Section 6(b)(5) of the Act¹¹ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system 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 continue to be listed and traded on the Exchange pursuant to the initial and continued listing criteria in BATS Rule 14.11(i). With respect to the proposal to invest in Derivatives, the Exchange notes that the Commission has approved similar representations relating to issues of Managed Fund Shares proposed to be listed and traded on the Exchange.¹² The Adviser represents that Derivatives are not a principal investment strategy of the Fund and that any Derivatives held by the Fund will be exchange traded and/or centrally cleared, and they will be collateralized. The Fund may hold Derivatives that include interest rate futures (and may reference interest rates or prices of Eurodollars, US

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(5).

¹² See supra note 9.

federal funds, or Treasury bonds or notes) and fixed-for-floating interest rate swaps to manage the Fund's interest rate exposure. The value of the securities and other assets held by the Fund will be determined pursuant to valuation policies and procedures approved by the Board. Futures contracts, including U.S. Treasury futures contracts, will be valued at their last sale price or settle price as of the close of such exchange. Interest rate swaps are generally valued by pricing services by calculating the new present value of future cash flows according to the terms of the swap agreement. The future cash flows are based on the difference between the agreed fixed rate and estimated level of a defined floating rate on the specified reset date. Intraday price quotations in swaps of the type proposed to be held by the Fund are available from major broker-dealer firms and from third-parties. Intraday, executable price quotations on futures are available directly from the applicable listing exchange. All such intraday price information is also available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Adviser represents that there is no change to the Fund's investment objective. The Fund will continue to comply with all initial and continued listing requirements under BATS Rule 14.11(i). The Adviser represents that the purpose of this change is to provide additional flexibility to the Adviser to meet the Fund's investment objective, as discussed above.

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 the Fund will continue to comply with all initial and continued listing requirements under BATS Rule 14.11(i). The Adviser represents that the purpose of this change is to provide additional flexibility to the

Adviser to meet the Fund's investment objective, as discussed above. The Adviser represents that there is no change to the Fund's investment objective. Except for the changes noted above, all other representations made in the Prior Filing remain unchanged.

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 proposed changes to the Fund's means of achieving the investment objective will permit the Fund to adjust its portfolio to allow the Fund to continue to meet its investment objectives by investing in Derivatives in a manner consistent with other actively-managed exchange-traded funds and will enhance competition among other issues of Managed Fund Shares.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴ Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it is filed, or such shorter time as the Commission may designate, it has become effective pursuant to

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁵

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BATS-2014-031 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-BATS-2014-031. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies

¹⁵ 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549-1090 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-BATS-2014-031, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Kevin M. O'Neill
Deputy Secretary

¹⁶ 17 CFR 200.30-3(a)(12).