



EDGA Exchange, Inc. & EDGX Exchange, Inc.			
Regulatory Information Circular			
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**Subject: iShares 0-5 Year Investment Grade Corporate Bond ETF  
iShares 0-5 Year High Yield Corporate Bond ETF**

**Background Information on the Fund**

As more fully explained in the Registration Statements of the [iShares 0-5 Year Investment Grade Corporate Bond ETF](#) and [the iShares 0-5 Year High Yield Corporate Bond ETF](#), (Nos. 333-92935 and 811-09729) for the iShares Trust (the “Trust”), the Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended. The Trust consists of several investment portfolios and this regulatory information circular relates only to the above mentioned Funds (individually the “Fund” collectively the “Funds”). The shares of the Funds are referred to herein as “Shares”.

BlackRock Fund Advisors (“BFA”) serves as investment adviser of the Fund. BlackRock Investments, LLC serves as the Distributor for the Fund (the “Distributor”). State Street Bank and Trust Company acts as the administrator, custodian and transfer agent for the Fund.

Ticker	Fund Name	CUSIP
SLQD	iShares 0-5 Year Investment Grade Corporate Bond ETF	46434V100
SHYG	iShares 0-5 Year High Yield Corporate Bond ETF	46434V407

**Description of the Funds**

*iShares 0-5 Year Investment Grade Corporate Bond ETF*

The Fund seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate bonds with remaining maturities of less than five years.

The Fund seeks to track the investment results of the Markit iBoxx USD Liquid Investment Grade 0-5 Index (the “Underlying Index”), which is designed to reflect the performance of U.S. dollar-denominated investment-grade corporate debt. The Underlying Index offers exposure to liquid corporate bonds maturing between zero and five years and is rebalanced on a monthly basis. Only bonds from large issuers with at least \$1 billion in aggregate outstanding issuance and \$500 million face value per bond are included in the

Underlying Index. The Underlying Index uses a market-value weighted methodology with a cap on each issuer of 3%. Components primarily include consumer goods, financial, healthcare and oil and gas companies. The components of the Underlying Index, and the degree to which these components represent certain industries, may change over time.

### **Principal Risks**

Interested persons are referred to the Fund's Prospectus for a description of risks associated with an investment in the Fund. These risks include, but are not limited to, Asset Class Risk; Call Risk; Concentration Risk; Consumer Goods Industry Risk; Credit Risk; Extension Risk; Financials Sector Risk; Geographic Risk; Healthcare Sector Risk; Income Risk; Index-Related Risk; Interest Rate Risk; Issuer Risk; Liquidity Risk; Management Risk; Market Risk; Market Trading Risk; Non-U.S. Issuers Risk; North American Economic Risk; Oil and Gas Industry Risk; Passive Investment Risk; Reliance on Trading Partners Risk; Risk of Investing in the United States; Securities Lending Risk; and Tracking Error Risk. In addition, as noted in the applicable Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

For more complete information about the principal risks of investing in Fund, consult the [Prospectus](#).

### *iShares 0-5 Year High Yield Corporate Bond ETF*

The Fund seeks to track the investment results of an index composed of U.S. dollar-denominated, high yield corporate bonds with remaining maturities of less than five years.

The Fund seeks to track the investment results of the Markit iBoxx USD Liquid High Yield 0-5 Index (the "Underlying Index"), which is designed to reflect the performance of U.S. dollar-denominated high yield corporate debt. High yield bonds are also known as "junk bonds" and are generally rated below investment grade. The Underlying Index offers exposure to liquid high yield corporate bonds maturing between zero and five years and is rebalanced on a monthly basis. Only bonds with \$350 million minimum face value per bond are included in the Underlying Index, provided they are trading at a minimum price in accordance with Markit Indices Limited's ("Markit") liquidity screens. The Underlying Index uses a market-value weighted methodology with a cap on each issuer of 3%. Components primarily include consumer services, financial and industrials companies. The components of the Underlying Index, and the degree to which these components represent certain industries, may change over time.

### **Principal Risks**

Interested persons are referred to the Fund's Prospectus for a description of risks associated with an investment in the Fund. These risks include, but are not limited to, Asset Class Risk; Call Risk; Concentration Risk; Consumer Services Industry Risk; Credit Risk; Extension Risk; Financials Sector Risk; High Yield Securities Risk; Income Risk; Index-Related Risk; Industrials Sector Risk; Interest Rate Risk; Issuer Risk; Liquidity Risk; Management Risk;

Market Risk; Market Trading Risk; Passive Investment Risk; Risk of Investing in the United States; Securities Lending Risk; and Tracking Error Risk. In addition, as noted in the applicable Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares.

For more complete information about the principal risks of investing in Fund, consult the [Prospectus](#).

### **Investment Strategies of the Funds**

BFA uses a “passive” or indexing approach to try to achieve the Funds’ investment objective. Unlike many investment companies, the Funds do not try to “beat” the index it tracks and do not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that the Funds will substantially outperform their respective Underlying Indexes but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage the Funds. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to those of the Underlying Indexes. The Funds may or may not hold all of the securities in their respective Underlying Indexes.

The Fund generally invests at least 90% of its assets in the securities of the Funds’ Underlying Indexes and in investments that provide substantially similar exposure to the securities in the Underlying Index. However, the Funds may at times invest up to 20% of their assets in certain futures, options and swap contracts, cash and cash equivalents, including money market funds advised by BFA or its affiliates, as well as in securities not included in the Underlying Index, but which BFA believes will help the Fund track the Underlying Index. The Funds seek to track the investment results of their Underlying Indexes before the fees and expenses of the Funds. The Funds may lend securities representing up to one-third of the value of the Funds’ total assets (including the value of the collateral received).

Each of the Funds’ Underlying Index is sponsored by an organization (the “Index Provider”) that is independent of the Fund and BFA. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index. The Fund’s Index Provider is Markit Indices Limited (“Markit”).

Individual Fund shares may only be purchased and sold on a national securities exchange through a broker-dealer. The price of Fund shares is based on market price, and because ETF shares trade at market prices rather than at NAV, shares may trade at a price greater than NAV (a premium) or less than NAV (a discount). The Fund will only issue or redeem shares that have been aggregated into blocks of 50,000 shares for iShares 0-5 Year Investment Grade Corporate Bond ETF and 100,000 shares for iShares 0-5 Year High Yield Corporate Bond ETF, or multiples thereof (“Creation Units”) to authorized participants who have entered into agreements with the Funds’ Distributor. The Funds generally will issue or redeem Creation Units in return for a designated portfolio of securities (and an amount of cash) that the Funds specify each day.

Dividends from net investment income, if any, are distributed are declared and paid once a year. Net realized capital gains are distributed at least once a year, but the Trust may make distributions on a more frequent basis for the Funds.

The Depository Trust Company (“DTC”) will serve as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The NAV per Share of the Trust will be determined as of the close of trading (normally, 4:00 p.m. Eastern Time on each day that the primary listing exchange is open for business. NAV will be available from the Distributor and is also available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

For a more complete description of the Trust and its Index, please visit the Fund’s website at [www.ishares.com](http://www.ishares.com).

### **Trading Hours**

Trading in the Shares on EDGA Exchange, Inc. and EDGX Exchange, Inc. (together, the “Exchanges”) is on a UTP basis and is subject to the Exchanges equity trading rules. The Shares will trade from 8:00 a.m. until 8:00 p.m. ET. Members trading the Shares during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of Index value or intraday indicative value (“IIV”). For certain derivative securities products, an updated Index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the Index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Exchange Rules Applicable to Trading in the Shares**

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

## **Suitability**

Trading in the Shares on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, Members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds Members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

## **Trading Halts**

The Exchanges will halt trading in the Shares in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the Shares if the primary market de-lists the Shares.

## **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Funds (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Trust’s [website](#). The Prospectuses do not contain all of the information set forth in each Fund’s the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Funds, please refer to the Trust’s Registration Statement.

## **Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations**

The Commission has issued letters (together, the “No- Action Letters”) dated June 27, 2007, April 9, 2007, October 24, 2006, and November 21, 2005 granting exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 for exchange-traded funds listed and traded on a registered national securities exchange that meet certain criteria. Members should refer to the No Action Letters, available at [www.sec.gov](http://www.sec.gov), for additional information.

## **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter relating to paragraph (e) of Rule 102 under Regulation M to allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

## **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

1. confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
2. any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
3. except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

## **SEC Rule 14e-5**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:

1. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
2. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the Index; and
3. such bids or purchases are not effected for the purpose of facilitating such tender offer.

#### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act stating that broker-dealers may treat shares of a fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

#### **SEC Rule 15c1-5 and 15c1-6**

The Commission has issued a No-Action letter with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of fund shares and secondary market transactions therein.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Funds' Prospectuses for the [iShares 0-5 Year Investment Grade Corporate Bond ETF](#) and the [iShares 0-5 Year High Yield Corporate Bond ETF](#) and the Funds' [website](#) for relevant information.**