



Post-trade made easy



Joint media release

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Euroclear Bank's international ETF structure premiers on BATS Chi-X Europe

iShares ETF lists today as first international ETF on the exchange

9 June 2014, Brussels and London – Euroclear Bank, a world leading international central securities depository, in partnership with BATS Chi-X Europe (BATS), the continent's largest stock exchange, announce the first exchange-traded fund (ETF) to be listed on BATS with an international securities structure. The iShares MSCI USA Dividend IQ UCITS ETF, which will be available to trade on BATS from today marks a further step forward in the two firms' efforts to streamline ETF trade processing and settlement in the European market.

The iShares MSCI USA Dividend IQ UCITS ETF invests in US companies that target higher-than-average dividend yields. Securities are screened according to their earnings quality and to ensure that the dividends they pay are both sustainable and persistent over time. The fund aims to provide European investors with access to high quality income streams.

Multi-listed ETFs in Europe are often issued and traded on one or more national stock exchange, and subsequently settle in the corresponding national Central Securities Depository (CSD). This causes inefficiencies in cross-border transactions. By using a single European settlement location, it is expected the international structure will improve liquidity, ease cross-border processing by removing the need for realignment of positions between CSDs for settlement and significantly lower overall costs and risks for investors.

Mark Hemsley, Chief Executive Officer, BATS Chi-X Europe, commented: "BATS Chi-X Europe obtained its Registered Investment Exchange (RIE) status a year ago with the express purpose of bringing market efficiencies to European ETF listings. This latest listing can be counted as proof of concept that listing on BATS brings material benefits to pan-European investors looking to access deep and liquid markets, and we are very much looking forward to working with Euroclear Bank to extend use of their services in the near future."



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Stephan Pouyat, Global Head of International Markets, Euroclear, commented: “We are pleased to have a second international ETF available for settlement on our multi-currency transaction processing platform. I thank those involved at BATS and BlackRock for the smooth inaugural launch here at BATS of this ETF. We are ensuring that intermediaries purchasing this ETF will benefit from the safety of electronic delivery-versus-payment settlement, as well as delivering tangible benefits such as harmonised processing rules across trading venues and much improved asset servicing. And as the market knows, expedient reconciliation as well as the timely and accurate payment of dividends is vital to the attractiveness of ETFs - and the optimal functioning of the market.”

Leland Clemons, Head of iShares Capital Markets in EMEA commented: “Market infrastructure improvements are imperative to support the rapid growth of the ETF industry and we hope to see this structure adopted by providers across Europe to continue to drive the ETF market evolution.”

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Note to Editors

ETF processing background

At present, cross-exchange listed ETFs in Europe, including iShares, are issued and traded on one or more national stock exchanges and ultimately settle in the national central securities depository (CSD) of the exchange where the trade is executed.

However, when ETFs are traded across borders, i.e. a firm buys an ETF listed in one market and then sells the same ETF in another market the firm’s trading desk is confronted with complex post-trade processes and risks. The firm has to ensure that it moves the ETF from the national CSD where it has been bought to the national CSD where it is being sold. Moving ETFs from one CSD to another in order to deliver the ETFs to the buyer in another market often requires the firm to have accounts with multiple CSDs, to align the firm’s ETF positions among different CSDs and to follow different post-trade market practices in different markets. Realigning ETFs across multiple European markets throughout the trading day is expensive, time-consuming and operationally complex. In addition, it increases the potential for settlement fails, fines, counterparty compensation claims and ETF buy-ins to avoid settlement fails. These are also reasons why ETFs in Europe trade with such



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wide spreads, i.e. to compensate brokers for the risk and costs of moving ETFs across borders.

About BATS Chi-X Europe

BATS Chi-X Europe is Europe's largest stock exchange and offers trading in more than 3,600 securities across 15 major European markets, over one platform and under one rule book. In addition, BATS' leading pan-European trade reporting service, BXTR, now reports the majority of OTC equity market trading. Based in London, BATS Chi-X Europe is regulated by the UK Financial Conduct Authority.

BATS Chi-X Europe is the brand name of BATS Trading Limited, a subsidiary of BATS Global Markets Inc., a leading global securities market operator in the US and Europe. Further information can be found at www.batstrading.co.uk or for regular updates, on Twitter at @BATSGlobal.

About Euroclear

Euroclear is one of the world's largest providers of domestic and cross-border settlement and related services for bond, equity, ETF and other mutual fund transactions with offices in 15 countries across the globe and links to 46 international markets. Euroclear is a proven, resilient capital market infrastructure committed to delivering risk-mitigation, automation and efficiency at scale for its global client franchise which includes over 100 central banks and supnationals.

The Euroclear group includes Euroclear Bank, which is consistently rated AA+ by Fitch Ratings and AA by Standard & Poor's, as well as Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland. The group settled the equivalent of EUR 572 trillion in securities transactions in 2013 representing 170 million domestic and cross-border transactions, and held over EUR 24.2 trillion in assets for clients. For more information, please visit www.euroclear.com or follow us on Twitter @EuroclearGroup.