

2014-N-030
20 May 2014

ETFs made easy

BATS Chi-X Europe – A new trading venue for international ETFs

Important

Target audience

- Network managers
- Settlement operations
- Issuers
- Broker/dealers
- Market Makers and Authorised Participants
- Legal Counsel
- Corporate Trust Agents

Effective date

- **Testing:** now open
- **Launch:** June 2014

Highlights

You will soon be able to trade Exchange-Traded Funds (ETFs) issued using an international structure on BATS Chi-X Europe (BATS) and settle them only in Euroclear Bank.

Actions

For stock exchange settlement:

• BATS Chi-X Europe (BATS)

Do you currently have access to BATS that covers settlement in Euroclear Bank for transactions cleared through EuroCCP N.V.?

- **Yes** – no additional action to take
- **No** – please contact BATS directly

• EuroCCP

Do you have an indirect or direct relationship with EuroCCP NV for settlement in Euroclear Bank?

- **Yes** – no additional action to take
- **No** – please contact EuroCCP or your Clearing Member

• Euroclear Bank

This depends on whether or not you have signed up for EuroCCP's Power of Attorney (PoA) service. If you have signed up, have you also signed a PoA in favour of EuroCCP for BATS settlement activity⁽¹⁾?

- **Yes** – no additional form(s) to complete
 - **No** – please complete and send us an RG 213
- If you have not signed up for EuroCCP's PoA service, you send the settlement instructions yourself.

For OTC settlement:

If you have an account in Euroclear Bank, you can start straight away.

Testing is now open

Please refer to page 3 for more details.

⁽¹⁾ Power of Attorney – SWIFT Access (RG 213). You can find a copy in Annex 1 of this Newsletter.

International ETFs – the story so far

The European ETF industry was looking for a solution to the inefficient post-trade process of buying ETFs in one market and selling in another.

Previously, settlement took place in the central securities depository (CSD) of the exchange where the trade took place. The complex process to re-align securities between CSDs was costly and time consuming.

The international issuance structure removes the complex realignment issue as settlement can now take place in the ICSDs. For more details on the international issuance structure, please refer to our Newsletter 2013-N-060⁽¹⁾.

Key dates

- **December 2013** – the first ETF issued using an international structure was traded on the London Stock Exchange and settled in Euroclear Bank
- **February 2014** – the same international ETF was listed on Euronext with settlement in Euroclear Bank⁽²⁾
- **March 2014** – Xetra became the third trading venue with settlement in Clearstream Banking Luxembourg
- **June 2014** – BATS will allow listing and trading for international ETFs with settlement in Euroclear Bank

It is expected that more issuers will issue ETFs using an international structure in future. We will communicate the relevant details and trading venues once they are announced.

How will it work?

The diagram on the next page illustrates the process from trading on BATS in international ETFs, clearing via EuroCCP and settlement in Euroclear Bank.

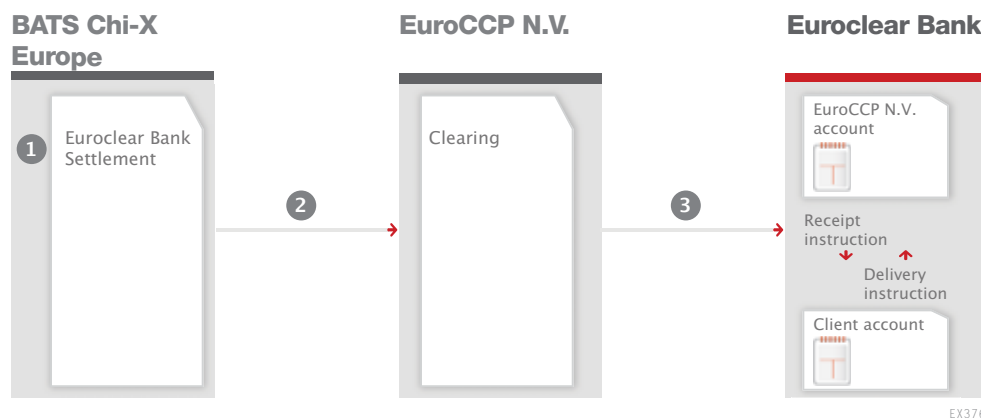
BATS already settles Depository Receipts traded on several markets through Euroclear Bank. The inclusion of international ETFs is an extension of their current model for DRs in which the international ETF transactions will only be:

- cleared through EuroCCP⁽³⁾
- settled in Euroclear Bank

⁽¹⁾ You can download the Newsletter by going to my.euroclear.com > My apps > News and updates and entering Keyword: 2013-N-060

⁽²⁾ For more details, refer to Newsletter 2013-N-060. You can download the Newsletter by going to my.euroclear.com > My apps > News and updates and entering Keyword: 2014-N-003

⁽³⁾ The current BATS clearing model for DRs operates under an interoperable model involving three CCPs – EuroCCP N.V., LCH.Clearnet Ltd and X-Clear.



1. **Trading** – Trading takes place on BATS order books⁽¹⁾. There is no change for BATS Participants in terms of the existing technical connectivity and order types. BATS' reference date file will identify the ISINs that settle in Euroclear Bank and its Participants would need to reflect this in their own reference data.
2. **Clearing** – Once the trade is executed, BATS will send the trade details to EuroCCP, identifying the transaction for settlement in Euroclear Bank. EuroCCP will perform settlement netting and risk management functions.
3. **Settlement** - EuroCCP will send the net settlement instruction to Euroclear Bank to be processed for settlement. **Note:** if you have signed up for the PoA service, EuroCCP will input matching internal settlement instructions in Euroclear Bank on your behalf. If not, you enter the settlement instructions yourself.

Testing

You can test the full stock-exchange flow end-to-end (trading on BATS, clearing by EuroCCP and settlement in Euroclear Bank).

If you would like to test, please contact BATS, EuroCCP or our Client Testing Team:

You would like to test	Contact	Contact details / Comments
the full flow end-to-end	BATS Chi-X Europe	<ul style="list-style-type: none"> • tradedeskeu@bats.com • posttradeeu@bats.com
the clearing part of the process	EuroCCP N.V.	clienttesting@euroccp.com
the settlement part of the process	Euroclear Bank – Client Testing Team	eb.testing@euroclear.com We can inject a test instruction against your account to simulate an instruction sent by EuroCCP N.V. This will allow you to retrieve the relevant reporting.

If you don't already have access to our testing environment, you will need to complete the form, *Euroclear Bank testing environment (RG 2017)* in Annex 2.

⁽¹⁾ For more details on the new BATS segments, please refer to the BATS website – <http://www.batstrading.co.uk/etfs/>

Full details in the service description

We will update our *ETFs made easy – Service description* with all the relevant operational details.

We will send you an email notification when the updated service description is available.

Any questions?

Contact your Relationship Manager



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List of annexes

Annex 1

Power of Attorney – SWIFT Access (RG 213)

Annex 2

Euroclear Bank testing environment (RG 2017)



SWIFT Access

Purpose and action to take

Please complete this form and the Compliance confirmation statement attached and send it to:

Euroclear Bank SA/NV
Attention: Client Data Management
1 Boulevard du Roi Albert II
B-1210 Brussels - Belgium

Your information

Company name

Address

Contact person

Email

Telephone

Please be advised that we have granted (the 'Agent'):

Company name

Address

Contact person

Email

Telephone

Bank Identifier Code (BIC)

full power and authority to
transmit instructions and
cancellations via SWIFT for either:

all Securities Clearance Accounts, and any other
accounts that may be opened from time to time by us
our Securities Clearance Account number, and
the associated Cash Account, maintained on the
books of Euroclear Bank

Account number

You are hereby authorised to accept any and all instructions from, send failed instructions reports to and provide any and all validation reports related thereto to the Agent for the above account(s).

All SWIFT instructions received from the Agent will be processed in accordance with:

- the *Terms and Conditions Governing Use of Euroclear*
- the *Supplementary Terms and Conditions Governing the Lending and Borrowing of Securities through Euroclear* (if applicable)
- the *Operating Procedures of the Euroclear System* ('Operating Procedures')
- the *General Conditions Governing Extensions of Credit to Participants in the Euroclear System* (if applicable)

You may rely upon the accuracy of any data received from the Agent without any further inquiry or examination.

Any revocation of this authorisation will take effect on the Business Day (as defined in the Operating Procedures) following that upon which you receive written notice of revocation by us. We understand and hereby agree that any instruction received by you prior to the effectiveness of any such revocation will be processed in accordance with the Operating Procedures.

This authorisation is governed by and construed in accordance with the laws of Belgium.

Authorised signatures

In accordance with your internal authorised signatures policy, please provide the necessary number of authorised signatures.

Name and title of authorised
signatory

Authorised signatures

Name and title of authorised
signatory

Authorised signatures

Place

Date



Compliance confirmation statement

Only to be completed if the Agent is not a Euroclear Participant

We acknowledge that Euroclear is not responsible for evaluating the reputation, standing or Anti-Money Laundering (AML) environment of the Agent. In order to demonstrate that we have carried out such an evaluation, we have completed the following questionnaire:

Company name of the Agent:

- | | |
|--|-----|
| 1. We have ascertained that the Agent is regulated. | Yes |
| | No |
| 2. We have ascertained that the Agent identifies its customer as required by the Financial Action Task Force recommendations or equivalent international Know-Your-Client standards. | Yes |
| | No |
| 3. We have ascertained that the Agent maintains operational control. | Yes |
| | No |
| 4. We have ascertained that the Agent maintains procedures to seek out, detect and report suspicious transactions to the appropriate authorities. | Yes |
| | No |
| 5. We have ascertained that the Agent provides training to staff on money laundering and assists them in identifying suspicious activities. | Yes |
| | No |
| 6. We have ascertained that the Agent maintains records of customer identifications and transactions for a minimum of five years. | Yes |
| | No |
| 7. We feel comfortable with the controls and procedures set up by the Agent with regards to its AML environment. | Yes |
| | No |
| 8. We confirm that, to the best of our knowledge, in the past 12 months, the Agent has not been, or is currently not under investigation by any regulator or law enforcement agency in connection with allegations of money laundering or failure to report suspicious transactions. | Yes |
| | No |
-

Authorised signatures

We hereby certify that, to the best of our knowledge, the information provided above is correct and that, in our view, we have received sufficient guarantees of the reputation, standing and the AML environment of the Agent.

Name and title of authorised signatory

Authorised signatures

Name and title of authorised signatory

Authorised signatures

Place

Date



Euroclear Bank testing environment

Purpose and action to take

Use this form to access the Euroclear Bank testing environment for EUCLID and/or SWIFT.

Complete this form in capital letters and either:

- email it to: **emailyourEBform@euroclear.com**
- post it to: If you are sending the form by email, you do not need to send the original by post
Euroclear Bank SA/NV
Attention: Client Data Management
1 Boulevard du Roi Albert II
B-1210 Brussels - Belgium



Your information

Company name

Account(s) number(s)

Address

Contact person

Email

Telephone

Fax

Start date

Indicate the date on which you would like to start testing. You will not be able to input instructions or receive reports before this date.

Start date (dd/mm/yyyy)

Scope of the testing

Euroclear Bank provides testing for settlement, money transfer, custody and collateral management.

Please tick the relevant boxes, if, in addition, you wish to test other services mentioned below:

Euronext Stock Exchange Settlement testing (You must also complete the RG 2200 Power of Attorney for Euroclear Bank testing in favour of LCH. Clearnet, using the Euroclear France BIC SICVFRPP)

Bourse de Luxembourg Stock Exchange Settlement testing (You must also complete the RG 2200 Power of Attorney for Euroclear Bank testing in favour of LCH. Clearnet, using the test BIC BACPFRP0)

International Order Book Settlement testing (You must also complete the RG 2200 Power of Attorney for Euroclear Bank testing in favour of LCH. Clearnet, using the test BIC ZYGCGB20VTX)

ETFs – Euroclear Bank Settlement testing (You must also complete the RG 2200 Power of Attorney for Euroclear Bank testing in favour of LCH. Clearnet, using the test BIC ZYASBEB0)

SecFinex Settlement testing (You must also complete the RG 2200 Power of Attorney for Euroclear Bank testing in favour of LCH. Clearnet, using the Euroclear France BIC BACPFRP0SBL)

Automatic partial settlement of Euronext-related transactions testing

Société de Bourse Intermédiaire (SBI) transactions testing

Other (Specify the type of testing you want to participate in)

Input channels

Select one or more channel(s) through which you wish to send instructions:

EUCLID PC (Complete section A)

EUCLID Server (Complete section A)

SWIFT (Complete section B)

EUCLID File Transfer (Complete section C)

Output channels

Select the channel through which you wish to receive reports:

EUCLID PC (Complete section A)

EUCLID Server (Complete section A)

SWIFT (Complete section B)

EUCLID File Transfer (Complete section C)

Identification of securities

Indicate whether you wish securities to be identified in your reports by (tick one box only):

ISIN

Common Code

Section A: Testing via EUCLID PC or Server

Administrator test smart cards

Please indicate the name and address of the person to whom we should send the first administrator test smart card:

Name

Address (postal)

Email

Please indicate the name and address of the person to whom we should send the second administrator test smart card (optional):
(only if it is not the same as for the first smart card)

Name

Address (postal)

Email

Please indicate the name and address of the person to whom we should send the PIN/PUK:
(it can't be the same person(s) mentioned above)

Name

Address (postal)

Email

Section B: Testing via SWIFT

To be completed only if you wish to test via SWIFT.

BIC information

Participant RMA owning
(Master) BIC

Participant test correspondent
BIC

Branch code
(optional)

Euroclear Bank BIC: **ZYASBEB0** (Owning BIC: **MGTCBEBE**)

RMA exchange

Upon validation by Euroclear Bank of the present agreement and once you have sent us an RMA authorisation, Euroclear Bank will send an RMA authorisation to the test SWIFT BIC of the Participant mentioned above. This authorisation will allow the test SWIFT BIC of the Participant to send all SWIFT FIN message types to Euroclear Bank. This authorisation will be immediately active (no start date) and will have no expiry date.

We (the above-mentioned Participant) will then send an RMA authorisation to the Euroclear Bank SWIFT BIC ZYASBEB0 two Business Days after returning this completed registration form to Euroclear Bank. This authorisation will allow Euroclear Bank to send all SWIFT FIN message types⁽¹⁾ to the test SWIFT BIC of the Participant. This authorisation will be immediately active (no start date) and will have no expiry date.

(1) Authorisation with restrictions on certain message types will not be accepted by Euroclear Bank.

Indicate a contact person for SWIFT RMA exchange:

Name

Email

Telephone

Fax

Reporting options

Reporting of unexecuted securities transaction instructions

If you send a cancellation instruction to Euroclear Bank, the feedback you receive depends on your subscription:

- feedback on your original instruction (MT 548 with message function **INST**)
- feedback on your cancellation instruction (MT 548 with message function **CAST**)
- feedback on both your original instruction and your cancellation instruction (MT 548 with message function **INST** and MT 548 with message function **CAST**)
- no feedback (do not register for MT 548)

MT 548, Settlement Status and Processing Advice (with message function INST).
For external and Bridge instructions, these messages may contain two or more occurrences of the status and reason sequence.

Availability

Reports on new and updated securities transaction instructions in real time and after the batch processing Frequency

Frequency

At each update of an instruction's SWIFT status (:25D:)

At each update of an instruction's SWIFT status (:25D:), reason code (:24B:) or reason narrative (:70D:REAS)

Message options

SWIFT status and reason codes(1) + reason narrative (:70D::REAS) or Euroclear Bank reference of the best matching candidate or of the corresponding allegation (:70D::REAS)

SWIFT status and reason codes + Euroclear Bank status or description + reason narrative (:70D::REAS) or Euroclear Bank reference of the best matching candidate or of the corresponding allegation (:70D::REAS)

SWIFT status and reason codes + reason narrative (:70D::REAS) or Euroclear Bank reference of the best matching candidate or of the corresponding allegation (:70D::REAS) + additional instruction narrative (:70E::SPRO)

SWIFT status and reason codes + Euroclear Bank status or description + reason narrative (:70D::REAS) or Euroclear Bank reference of the best matching candidate or of the corresponding allegation (:70D::REAS) + additional instruction narrative (:70E::SPRO)

(1) SWIFT status and reason codes are listed in the 'Statuses' section of the EUCLID and SWIFT data reference manual.

MT 548, Settlement Status and Processing Advice (with message function INST). With one occurrence of the status sequence.

Availability

Reports on new and updated securities transaction instructions in real time and after the batch process

Frequency

At each update of an instruction's SWIFT status (:25D:), reason code (:24B:) or reason narrative (:70D:REAS)

Message options

SWIFT status and reason codes + reason narrative (:70D::REAS) or Euroclear Bank reference of the best matching candidate

MT 548, Settlement Status and Processing Advice for cancellation (with message function CAST) Status CPRC//CAND

MT 578, Settlement Allegement Message

Availability

New and updated securities transaction instructions in real time

- MT 537, Statement of Pending Transactions

Availability

New and updated securities transaction instructions, daily after the end of the real-time process

Message options

SWIFT status and reason codes + reason narrative (:70D::REAS) or Euroclear reference of the best matching candidate or of the corresponding allegement (:70D::REAS)

SWIFT status and reason codes + Euroclear status or description (:70D::REAS) + reason narrative(:70D::REAS) or Euroclear Bank reference of the best matching candidate or of the corresponding allegement (:70D::REAS)

SWIFT status and reason codes + reason narrative (:70D::REAS) or Euroclear reference of the best matching candidate or of the corresponding allegement (:70D::REAS) + additional instruction narrative(:70E::TRDE)

SWIFT status and reason codes + Euroclear Bank status or description (:70D::REAS) + reason narrative(:70D::REAS) or Euroclear reference of the best matching candidate or of the corresponding allegement(:70D::REAS) + additional instruction narrative (:70E::TRDE)

- MT 586, Statement of Settlement Allegements

Availability

New and updated securities transaction instructions, daily after the end of the real-time process

All instructions after:

MAT2 (14:00)

the batch process

the real-time process

Reporting of securities and related cash movements

- MT 536, Statement of Transactions

Availability

Daily after the end of the real-time process (19:00)

Intra-day, after the end of the automatic real-time process (14:00)

Message options

All securities and related cash movements:

with instruction narrative (:70E::TRDE)

without instruction narrative (:70E::TRDE)

- MT 544-7, Settlement Confirmation Message

Availability

New and updated securities transaction instructions, daily after the end of the real-time process

Message options

Mandatory information including preadvices

All information including preadvices

Mandatory information excluding preadvices

Reporting of balances

MT 535, Statement of Holdings

Portfolio valuation version (with quotation)

Frequency: Daily

Availability: All balances at the end of the real-time process

Reporting of cash statements

MT 999 Opening Cash Position

- Cash Movements

MT 900, Debit Confirmation (in real time)

MT 910, Credit Confirmation (in real time)

- Cash Statement

MT 950, Cash Statement, only listing balances in currencies for which cash movements have taken place

MT 950, Cash Statement and daily cash balances, including balances in currencies for which no cash movements have taken place

MT 950, Cash Statement and monthly cash balances, including balances in currencies for which no cash movements have taken place

MT 950, Cash Statement and MT 999 free format(1), only listing balances in currencies for which cash movements have taken place

- Detailed Cash Statement

MT 940, Detailed Cash Statement, only listing balances in currencies for which cash movements have taken place

MT 940, Detailed Cash Statement and daily cash balances, including balances in currencies for which no cash movements have taken place

(1) MT 950 shows each cash movement in a Cash Account, specifying the amount and value date, whereas MT 999 gives further details of credits resulting from book transfer instructions, loaded preadvice of funds instructions, bank orders and sundries.

Reporting on FRNs

• MT 564, Floating Rate Note notification

Frequency

twice a day

weekly

Grouping

SWIFT BIC

no grouping (default option)

grouping (without account and balance details) per BIC

Message format

Please select your preferred message format:

INTP price in amount: 92F::INTP//{currency} {amount per multiple} (default option)

INTP price in percentage: 92A::INTP//{percentage}

Reporting on deadlines and corporate actions - Content

• MT 564, Corporate Action Notification / MT 568, Corporate Action Narrative

Opt for grouping of MT 564, Corporate Action Notification and MT 568, Corporate Action Narrative:

Excluding the following events (default option):

Including the following events:

- standard income payment
- standard final redemption payment
- partial reimbursements

Grouping

SWIFT BIC

no grouping (default option)

grouping with account and balance details per BIC

grouping without account and balance details per SWIFT BIC

Message format

Please select your preferred message format:

INTP price in amount: 92F::INTP//{currency} {amount per multiple} (default option)

INTP price in percentage: 92A::INTP//{percentage}

SWIFT BIC

Account to be considered as
main and billing account:

Accounts
(max 4 accounts)

• MT 564, Corporate Action Uninstructed Reminder
Grouping

SWIFT BIC

no grouping (default option)

grouping (without account and balance details) per SWIFT BIC

Message format

Please select your preferred message format:

INTP price in amount: 92F::INTP//{currency} {amount per multiple} (default option)

INTP price in percentage: 92A::INTP//{percentage}

• MT 564(1), Cash Management Advice
Mode

Full

Delta

(1) The Pre-advise of reversal is sent automatically if you have subscribed to receive the Cash management Report

Message option

Report all information

Opt out from zero payments

Opt out from unknown price/rate

MT566, Corporate Action Movement Confirmation

• MT 567, Corporate Action Status and Processing Advice - Grouping

SWIFT status and reason code (short form)

SWIFT status, reason code, and Euroclear bank status or description (long form)

Message option

all statuses

only the following status(es)

CTCP - Conditional to cash processing

CXLE - Instruction cancelled by us

CXLP - Instruction cancelled by you

FUT - For future processing

IPRO - In progress

LIMB - Instruction awaiting further processing

OK - Instruction executed

OUT - Proceeds to be received outside of Euroclear Bank

PROC - Proceeds to be received in your account

PROV - Unexecuted for insufficient cash/credit in your account

REJ - Rejected at contextual validation

SUSP - Validation is pending

TPNS - Certification instructions to be processed

TRSH - The securities are being transhipped between two Euroclear Depositaries

USEC - Securities unavailable

MT 567, Cash Status Advice

MT 567, Deferred Payment Advice

Triparty messages

MT 558 Triparty Collateral Status and Processing Advice

MT 569 Triparty Collateral and Exposure Statement

Please choose when you would like to receive it, either:

Normal real-time (after each AutoSelect run as from 08:00)

Early real-time (after each AutoSelect run as from the first)

and, please tick one option:

Detailed version

Summary version

Filtered version

Which Batch report would you like to receive:

Detailed version

Summary version

Section C: Testing via EUCLID file Transfer

To be completed only if you wish to test via EUCLID.

Connection Setup

If you wish to use EUCLID file transfer, indicate whether you use sequential file names: Yes No

BT Radianz

Automatic pushback:

File Transfer Protocol	Yes
CONNECT:direct	No

CONNECT: Direct node name

USER ID (used to submit jobs on the node)

Operating system

SWIFTNet

(i) What is the BIC8 used within your PKI certificate?

(ii) Specify your requestor DN:

CN= SWN xxx, CN= ebft, O= BIC(8), O= SWIFT

If you are unable to provide this information, please contact SWIFT.

Authorised signatures

In accordance with your internal authorised signatures policy, please provide the necessary number of authorised signatures.

Name and title of authorised signatory

Authorised signatures

Name and title of authorised signatory

Authorised signatures

Place

Date

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