

Facilitating Post-trade processing for ETFs with an international securities structure

Dear Members,

In February 2014 Euronext, in partnership with LCH.Clearnet and Euroclear Bank, listed the first ETF issued by iShares using the "International ETFs" structure. Euronext supports post-trade fungibility and expects to add more International ETFs during Q4 2014. The settlement of transactions in international ETFs takes place exclusively in Euroclear Bank, the Brussels-based international central securities depository (ICSD), in multiple currencies.

Members should ensure that they select the most suitable option for the post-trade processing of this product.

By using a single European settlement location, it is expected that the international structure will:

- Improve liquidity
- Ease European cross-border trading
- Remove the need for complex realignment of positions between CSDs for settlement
- Lower operational risk for financial intermediaries

The following tools will be put in place to facilitate the post-trade processing of international ETFs traded on Euronext's markets:

On a trading level:

- Through our referential data, Euronext will enable Members to clearly distinguish the international ETFs, with default settlement through Euroclear Bank even for Euro-denominated products, from other products on a trading group level
- There will be two dedicated trading groups (1 for each spread requirement) for International ETFs per market segment.

Euronext Trading Groups – International ETFs		
Market	Groups	Group Name
Brussels	BF	ETF BE - ALL CCY - EB - SR2
Brussels	BE	ETF BE - ALL CCY - EB - SR3
Paris	2I	ETF FR - ALL CCY - EB - SR2
Paris	2H	ETF FR - ALL CCY - EB - SR3
Amsterdam	KJ	ETF NL - ALL CCY - EB -SR2
Amsterdam	KI	ETF NL - ALL CCY - EB -SR3

On a clearing level:

✓ Trade Leg Reconciliation File (TLRF) solution:

Through an enhancement to its TLR File, LCH.Clearnet will enable Members to easily identify the issuer CSD of a particular international ETF, which can be used as the default settlement location for Euronext markets. Hence, for International ETFs, the Issuer CSD will be set to Euroclear Bank. LCH.Clearnet has added new fields to the TLR File, for more information [click here](#).

✓ Automated solution via a dedicated Position Account:

- Upon request of a Clearing Member, LCH.Clearnet can create a dedicated Position Account (PA) and a Delivery Account (DA) associated with an Automatic Posting rule for this structure.
- The automatic posting solution would be set up at the trading level so the trade can be routed to this dedicated PA. Therefore, settlement would be processed via the dedicated DA linked to Euroclear Bank.
- **Note:** to choose this solution, the Clearing Member must hold an account with Euroclear Bank.

The listings of International ETFs on Euronext markets will be notified to customers via the usual processes and communications.

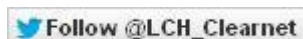
Shall you be interested by these products, or have additional questions related to the integration of these products in your downstream system feel free to contact either Euronext or your usual account manager.

Kind regards,

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