

Vestima

Investment Fund Services

International ETFs Settlement Guide

Vestima - Investment Fund Services - International ETFs Settlement Guide

July 2017

Document number: 7148

This document is the property of Clearstream Banking S.A. ("Clearstream Banking") and may not be altered without the prior express written consent of Clearstream Banking. Information in this document is subject to change without notice and does not represent a commitment on the part of Clearstream Banking, or any other subsidiary or affiliate of Clearstream International, S.A. This document does not constitute a Governing Document as defined in Clearstream Banking's General Terms and Conditions. The sole purpose of this document is to provide Clearstream Banking's customers with information about the services described herein, and Clearstream Banking does not permit this document to be used for any other purpose without the prior express written consent of Clearstream Banking. This document is available in electronic format and may be provided in other formats at the discretion of Clearstream Banking. Clearstream Banking grants its customers permission to reproduce, store and print this document to the extent deemed reasonable and necessary for receiving from Clearstream Banking the services described herein. Any software provided, as set out in the present document, shall be provided under the applicable licence terms.

© Copyright Clearstream International, S.A. [2017]. All rights reserved.

Vestima is a registered trademark of Clearstream International, S.A. S.W.I.F.T. is a registered trademark of the Society for Worldwide Interbank Financial Telecommunication. Microsoft and Excel are registered trademarks of Microsoft Corporation.

Clearstream International, S.A. is a Deutsche Börse Group company.

Foreword

The International ETFs issuance model makes it possible to solve a large part of ETFs settlement issues that generally exist with domestic ETFs. The International ETFs aim to remove those constraints by allowing participants to settle securities directly with their counterparty's ISCD account.

About this guide

This guide is intended to explain to Clearstream Banking account holders how to settle International ETFs trades (on or off-exchange) into their Clearstream Banking account.

Contact details

For further information or if you have specific questions regarding the Vestima system and/or communications with Clearstream Banking, you can contact Customer Service in Luxembourg as follows:

Telephone:	+352-243-38110 +352-243-32833 +352-243-32555	Connectivity Support for access/configuration issues Vestima Client Services for business queries Vestima Product information
Fax:	+352-243-638110	Connectivity Support
Email:	csvestima@clearstream.com connectlux@clearstream.com	Vestima Client Services for business queries Connectivity Support
Website:	www.clearstream.com/ifs www.clearstream.com/	Clearstream Banking Investment Fund Services Clearstream Banking website

Please note that, as is normal practice within financial organisations, Clearstream Banking has implemented telephone line recording to ensure that the interests of Clearstream Banking and of its customers are protected against misunderstandings or miscommunications.

Areas subject to telephone line recording include Client Services, the Treasury Dealing Room and back office operations. The recorded lines are the subject of an ongoing formal maintenance and quality control programme to ensure their continued effective and appropriate deployment and operation.

Foreword

This page has intentionally been left blank.

Contents

Foreword	i
About this guide	i
Contact details	i
1. Introduction	1
Background and objective	1
Target audience	1
How to recognise International ETFs	2
Glossary and actors	2
2. Stock Exchange and OTC settlement	3
Overview of ICSDs settlement structure	3
Settling ETFs from a stock exchange trade	4
Xetra	4
Borsa Italiana	5
SIX Swiss Exchange	6
Euronext	7
London Stock Exchange	8
Others settlement platforms	9
Settling ETFs from an OTC transaction	9
Your counterparty has an account in an ICSD	9
Your counterparty has an account in a CSD	10

Contents

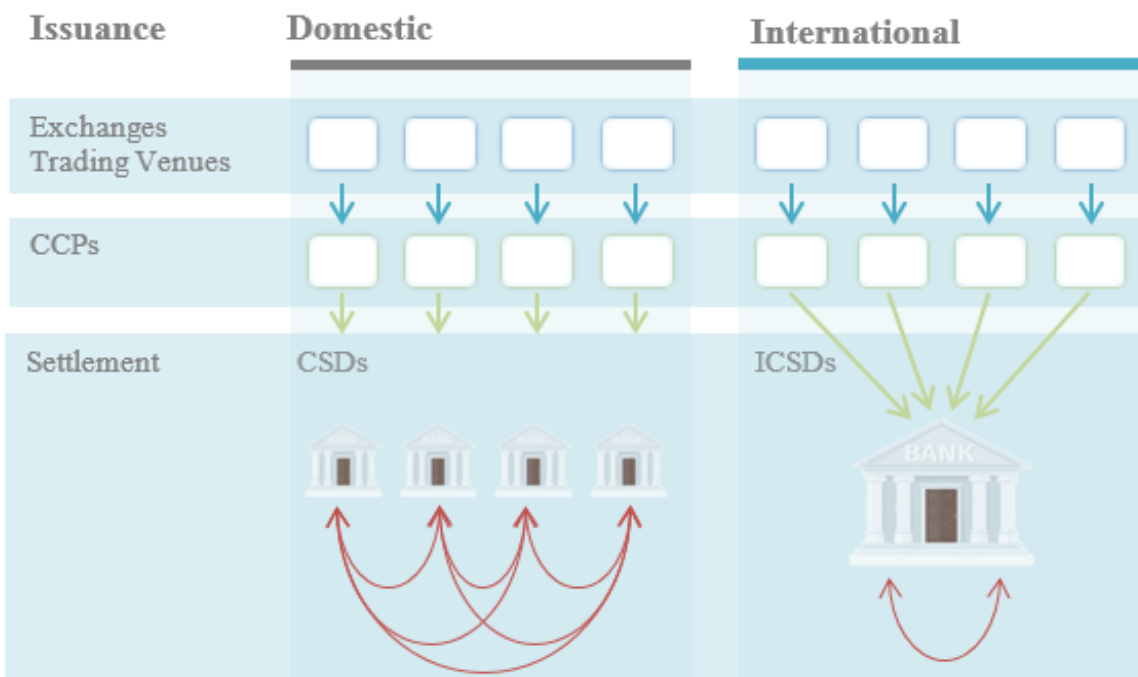
This page has intentionally been left blank.

1. Introduction

Background and objective

European Exchange-Traded Funds (ETFs) are typically listed and traded on one or more stock exchanges. When active on several domestic ETFs markets, participants have to manage the securities realignment issues between the different trading locations and cope with transfer securities via accounts at various CSDs.

The International ETFs issuance model makes it possible to solve a large part of the ETFs settlement issues that generally exist with domestic ETFs. The International ETFs aim to remove those constraints by allowing participants to settle securities directly with their counterparty's ICSD account.



Therefore, this objective of this guide is to explain to Clearstream Banking account holders how to settle International ETFs trades (on or off-exchange) into their Clearstream Banking account. Some information related to how to instruct settlement instruction messages are provided.

Target audience

This service description is targeted for customers of Clearstream Banking with an ICSD account in CBL or CBF (CBFi) active in the ETF secondary market, such as prime brokers, broker/dealers, market makers, clearing members, custodians, etc.

1. Introduction

How to recognise International ETFs

The International ETFs are deposited in a depository that is common to CBL and Euroclear Bank (EB) and the shares can be only held at ICSD account level. Clearstream Banking customers can refer to the [Published Fund List](#) and select in the CBL's identification of CBL's place of safekeeping (CBL PoSK ID) column those starting with 6. As other securities than ETFs have a common depository, it is advised to filter for ETF only in the column CBL's classification as exchange traded fund. For more information, please refer to the [Published Fund List User Guide](#).

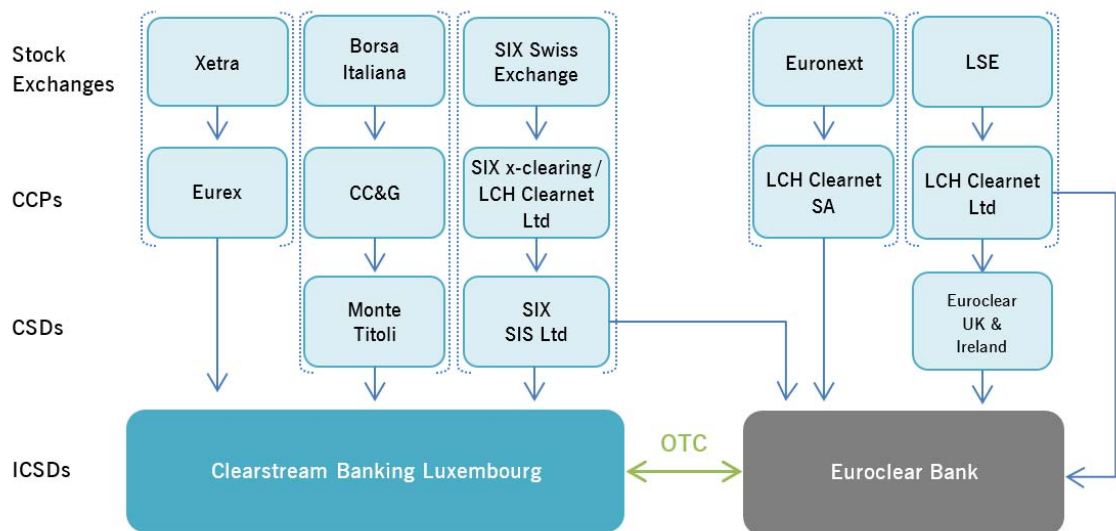
Glossary and actors

Actor	Definition
'6-series' account	A Clearstream Banking Frankfurt International account for German-based customers.
Bridge Transaction	A transaction with a counterparty in Euroclear Bank via the electronic link between Clearstream Banking and Euroclear that enables book-entry settlement to occur between customers of either clearing system.
Central Counterparty (CCP)	A Central Counter Party is a clearing house which facilitates trading done, in this context, in European markets, by netting transactions on a multilateral basis.
Central Securities Depository (CSD)	A financial organisation holding securities to facilitate transfer of ownership through book entry.
Central Securities Depository Participant	An entity holding and administrating securities for investors, which has been accepted as a member of the CSD and is acting as an intermediary between the investor and the CSD.
Common Depository	A Common Depository is a jointly appointed entity by the two ICSDs (Clearstream Banking Luxembourg and Euroclear Bank) to hold the global physical certificate of an issued security in its vault and reconciles movements and positions between the registrar and ICSDs.
International Central Securities Depositories (ICSDs)	A central securities depository that provides clearance and settlement of transactions in global and International Securities and Domestic Securities traded across borders, namely Clearstream Banking Luxembourg and Euroclear Bank.
CBL	Clearstream Banking Luxembourg, the Luxembourg-based ICSD.
CBFi	The ICSD account of CBF's customer. Please see 6-series account definition.
EB	Euroclear Bank, the Belgium-based ICSD.
EU&I	Euroclear UK & Ireland, the UK and Irish markets CSD.
MT	Monte Titoli, the Italian market CSD.
Xetra	The stock exchange company of Deutsche Börse Group operating in Frankfurt

2. Stock Exchange and OTC settlement

Overview of ICSDs settlement structure

Unlike domestic ETFs for which transactions are settled in the CSD connected with the stock exchange where the ETFs have been traded, for example, CBF for Xetra, EUI for the LSE, ESES France or the Netherlands for Euronext, International ETFs transactions can be settled in your account at Clearstream Banking as illustrated by the diagram below.



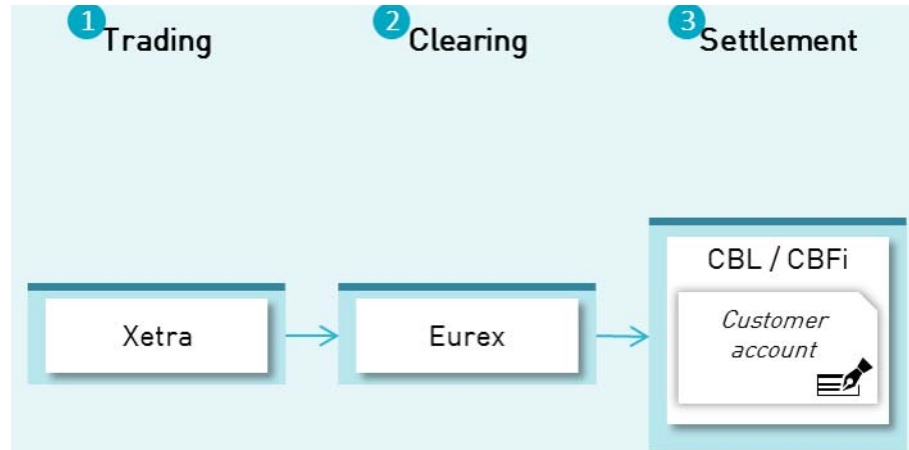
Depending on the markets where the trades took place, the settlement process to your Clearstream Banking account may differ. Therefore, please refer to the stock exchange section where the trade occurred to know how to structure your settlement instructions to reach your CBL account.

2. Stock Exchange and OTC settlement

Settling ETFs from a stock exchange trade

Xetra

The diagram below illustrates the process of trading on Xetra, clearing via Eurex and settling in CBL/CBFi.



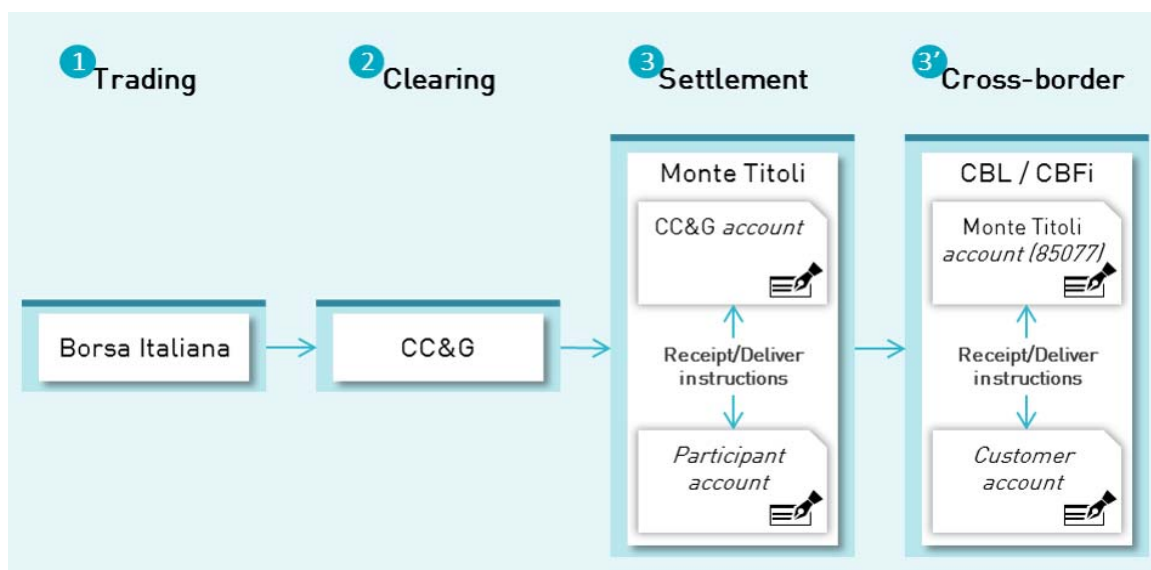
1. Trading: The trade occurs between two Xetra members on the Stock Exchange.
2. Clearing: The trade details are sent to Eurex for clearing.
3. Settlement: The ETFs are directly received into or delivered out of your account at CBL/CBFi.

The settlement messages must be instructed like internal transfer instructions.

2. Stock Exchange and OTC settlement

Borsa Italiana

The diagram below illustrates the process of trading on Borsa Italiana, clearing via CC&G and settling in CBL/CBFi.



1. Trading: The trade occurs between two Borsa Italiana members on the Stock Exchange.
2. Clearing: The trade details are sent to CC&G for clearing.
3. Settlement: The settlement occurs in Monte Titoli between the Clearer's account and the local participant's account.
4. Cross-border: A cross-border transfer must be instructed between the participant's account at Monte Titoli and Monte Titoli's account at CBL (85077), in favour of your account at CBL/CBFi.

Whatever the settlement instructions channel you use, the settlement of your trade on Borsa Italiana to or from your CBL/CBFi account may be done in two instructions: the first one is a local settlement in Monte Titoli, the second one from or to your CBL/CBFi account may need the following information:

- If you deliver the ETFs, that is, using your CBL/CBFi account to deliver into the domestic market:
 - The place of settlement, that is, CBL (BIC is CEDELULLXXX);
 - The Receiving Agent in CBL, that is, Monte Titoli (BIC is MOTIITMMXXX);
 - The safe account of MT in CBL, that is, 85077;
 - The local participant in MT that domestically receives the ETFs, that is, BUYR information (in BIC or proprietary code or name);
 - The safe account of this local agent in Monte Titoli.
- If you receive the ETFs, that is, using your CBL/CBFi account to receive from the domestic market:
 - The place of settlement, that is, CBL (BIC is CEDELULLXXX);
 - The Delivering Agent in CBL, that is, Monte Titoli (BIC is MOTIITMMXXX);
 - The safe account of MT in CBL, that is, 85077;
 - The local participant in MT that domestically delivers the ETFs, that is, SELL information (in BIC or proprietary code or name);
 - The safe account of this local agent in Monte Titoli.

2. Stock Exchange and OTC settlement

SIX Swiss Exchange

The diagram below illustrates the process of trading on SIX Swiss Exchange, clearing via SIX X-clearing and settling in CBL/CBFI.



1. Trading: The trade occurs between two SIX Swiss Exchange members on the Stock Exchange.
2. Clearing: The trade details are sent to SIX X-clear Ltd for clearing.
3. Settlement: The settlement occurs in SIX SIS between the Clearer's account and the local participant's account.
4. Cross-border: A cross-border transfer must be instructed between the participant's account at SIX SIS and SIX SIS account at CBL (83320), in favour of your account at CBL/CBFI.

Whatever the settlement instructions channel you use, the settlement of your trade on SIX Swiss Exchange to or from your CBL/CBFI account may be done in two instructions: the first one is a local settlement in SIX SIS, the second one from or to your CBL/CBFI account may need the following information:

- If you deliver the ETFs, that is, using your CBL/CBFI account to deliver into the domestic market:
 - The place of settlement, that is, CBL (BIC is CEDELULLXXX);
 - The Receiving Agent in CBL, that is, SIX SIS (BIC is INSECHZZXXX);
 - The safe account of SIX SIS in CBL, that is, 83320;
 - The local participant in SIX SIS that domestically receives the ETFs, that is, BUYR information (in BIC or proprietary code or name);
 - The safe account of this local agent in SIX SIS.
- If you receive the ETFs, that is, using your CBL/CBFI account to receive from the domestic market:
 - The place of settlement, that is, CBL (BIC is CEDELULLXXX);
 - The Delivering Agent in CBL, that is, SIX SIS (BIC is INSECHZZXXX);
 - The safe account of SIX SIS in CBL, that is, 83320;
 - The local participant in SIX SIS that domestically delivers the ETFs, that is, SELL information (in BIC or proprietary code or name);

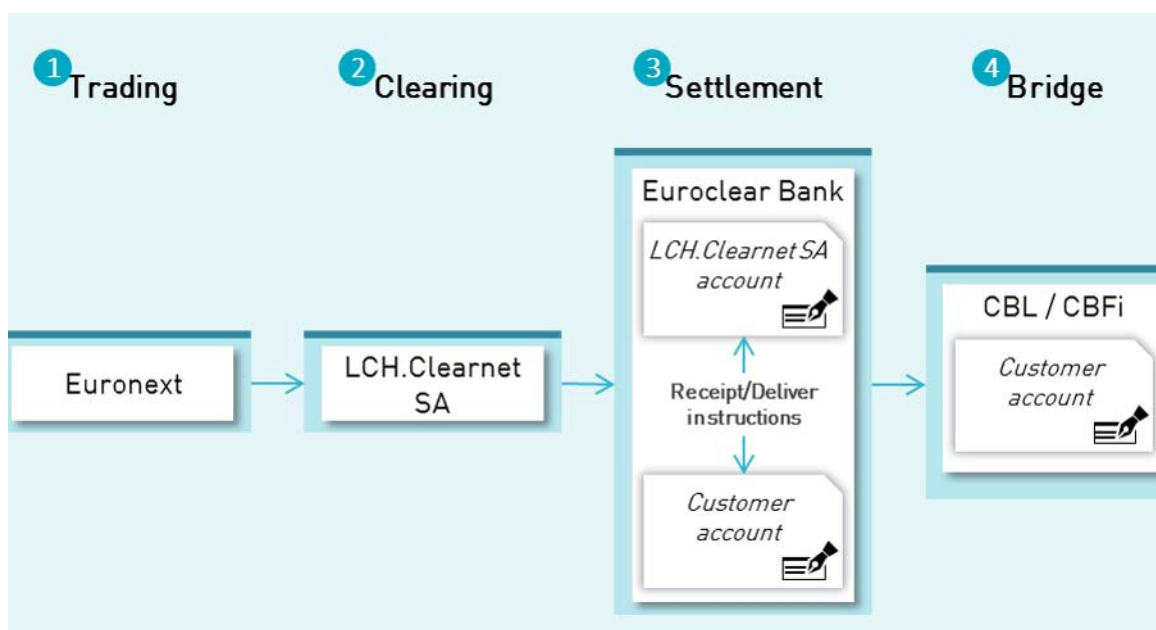
2. Stock Exchange and OTC settlement

- The safe account of this local agent in SIX SIS.

Euronext

International ETFs trades executed on the Euronext stock exchange settle on a Euroclear Bank account first before they can be settled on a CBL/CBFi account.

The diagram below illustrates the process of trading on Euronext in the ETF segments, clearing via LCH.Clearnet SA and settling in Euroclear Bank, followed by a transfer to your account at CBL/CBFi.



1. Trading: The trade occurs between two Euronext members on the Stock Exchange.
2. Clearing: The trade details are sent to LCH.Clearnet SA for clearing.
3. Settlement: The settlement occurs in Euroclear Bank on your account.
4. Bridge: to hold the ETFs on your account at Clearstream Banking, a Bridge transaction between your account at Euroclear Bank and your account at CBL/CBFi must be instructed.

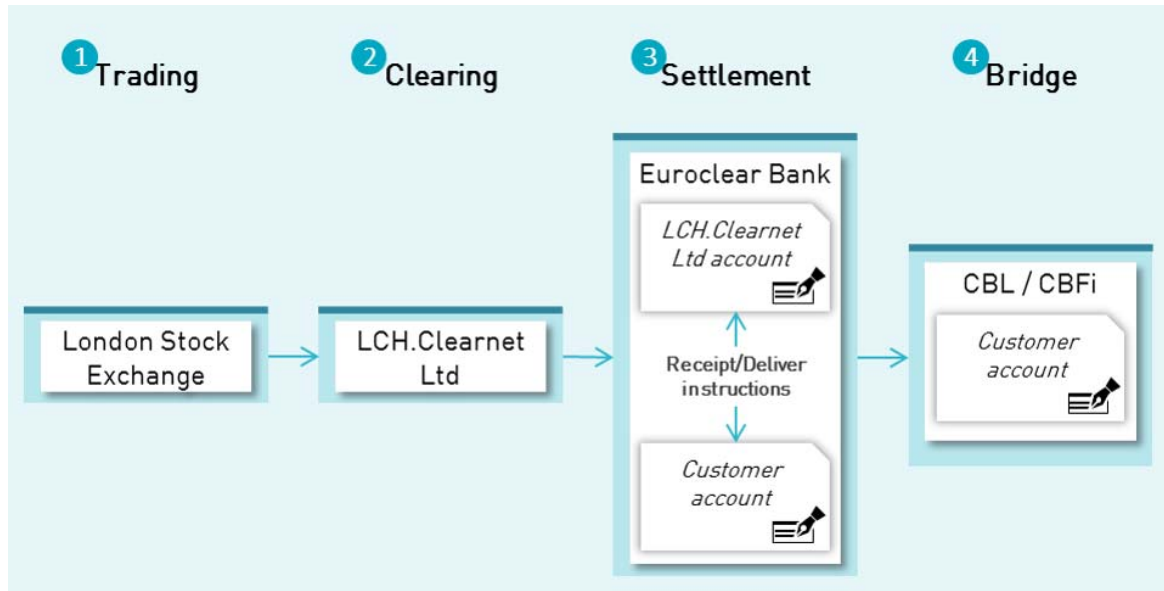
Whatever the settlement instructions channel you use, the settlement of your trade on Euronext to or from your CBL/CBFi account can be done in two instructions. The first one is done with your EB account. The second one, the Bridge transaction, can be instructed with the information as specified in the Connectivity Manuals.

2. Stock Exchange and OTC settlement

London Stock Exchange

International ETFs trades executed on the London Stock Exchange settle on a Euroclear Bank account first before they can be settled on your CBL/CBFi account.

The diagram illustrates the process of trading on the LSE in the ETF “Trading Services for ETF -Euroclear Bank settlement” segment, clearing via LCH.Clearnet Ltd and settling in Euroclear Bank before transferring the shares on your CBL / CBFi account.



1. Trading: The trade occurs between two members on the London Stock Exchange (ETF “Trading Service for ETFs - Euroclear Bank settlement” segment).
2. Clearing: The trade details are sent to LCH.Clearnet Ltd for clearing.
3. Settlement: The settlement occurs in Euroclear Bank.
4. Bridge: A Bridge transaction must be instructed between your account at Euroclear Bank and your account at CBL/CBFi.

Whatever the settlement instructions channel you use, the settlement of your trade on the London Stock Exchange to or from your CBL/CBFi account can be done in two instructions. The first one is done with your EB account. The second one, the Bridge transaction, can be instructed with the information as specified in the Connectivity Manuals.

Others settlement platforms

If you execute a trade in another trading platform (e.g. Bats Exchange, Turquoise, etc.), please refer to their respective websites.

2. Stock Exchange and OTC settlement

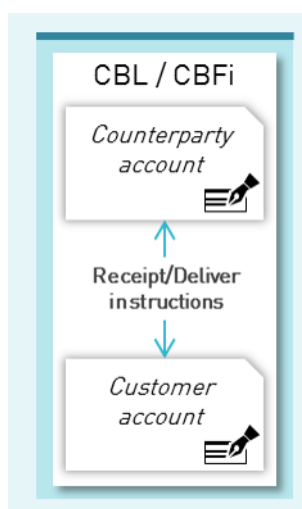
Settling ETFs from an OTC transaction

An OTC trade is a transaction which takes place outside the stock exchange ('off exchange'), directly between the two parties. When you execute an OTC trade, the settlement process differs depending where your counterparty holds an account in, an ICSD (that is, CBL/CBFi or EB) or a domestic CSD.

Your counterparty has an account in an ICSD

The ICSD is Clearstream Banking Luxembourg

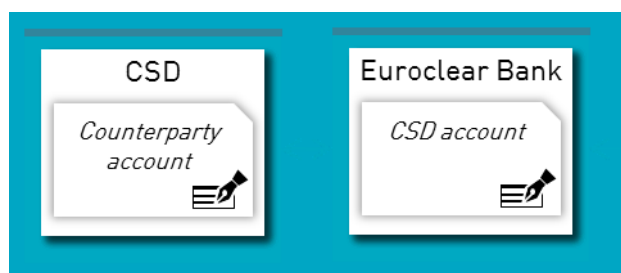
The settlement occurs in CBL/CBFi. The ETFs are received into or delivered out of your account at CBL/CBFi by instructing an internal transaction between your account at CBL and your counterparty's account at CBL.



2. Stock Exchange and OTC settlement

The ICSD is Euroclear Bank

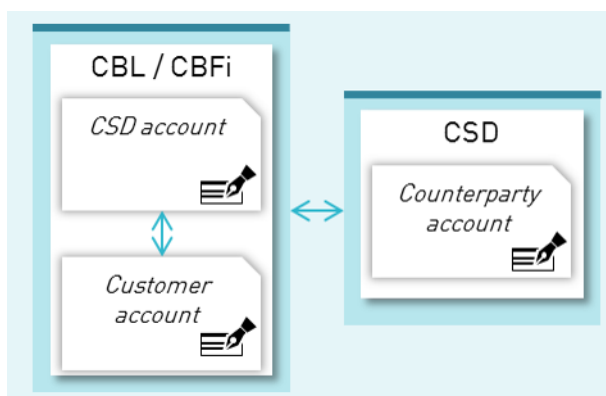
The ETFs are received into or delivered out of your account at CBL by instructing a Bridge transaction between your account at CBL and your counterparty's account at Euroclear Bank.



Your counterparty has an account in a CSD

Your counterparty's CSD has an account at CBL

The ETFs are received into or delivered out of your account at CBL by instructing an internal transaction between your account at CBL and the CSD's account at CBL, in favour of your counterparty's account at the CSD.



For instance, if your counterparty's CSD is SIX SIS or Monte Titoli, their accounts in CBL are respectively:

- SIX SIS: 83320
- Monte Titoli: 85077

Whatever the settlement instructions channel you use, the settlement of your OTC transaction with a counterparty with an account in CBL, to or from your CBL/CBFi account can be done in one single instruction using the following information:

- If you deliver the ETFs, that is, using your CBL/CBFi account to deliver into the domestic market:
 - The place of settlement, that is CBL (BIC is CEDELULLXXX);
 - The Receiving Agent in CBL, that is, SIX SIS or Monte Titoli;
 - The safe account of SIX SIS or Monte Titoli in CBL;
 - The local participant in SIX SIS or Monte Titoli that domestically receives the ETFs, that is, BUYR information (in BIC or proprietary code or name);
 - The safe account of this local agent in SIX SIS or Monte Titoli in CBL.

2. Stock Exchange and OTC settlement

- If you receive the ETFs, that is, using your CBL/CBFi account to receive from the domestic market:
 - The place of settlement, that is CBL (BIC is CEDELULLXXX);
 - The Delivering Agent in CBL, that is, SIX SIS or Monte Titoli;
 - The safe account of SIX SIS or Monte Titoli in CBL;
 - The local participant in SIX SIS or Monte Titoli that domestically delivers the ETFs, that is, SELL information (in BIC or proprietary code or name);
 - The safe account of this local agent in SIX SIS or Monte Titoli.

Your counterparty's CSD has an account at Euroclear Bank

The ETFs are received into or delivered out of your account at CBL by instructing a Bridge transaction between your account at CBL and the CSD's account at Euroclear Bank, in favour of your counterparty's account at the CSD.



For instance, if your counterparty's CSD is EU&I or ESES Netherlands, their accounts in EB are respectively:

- EU&I: 22111
- ESES NL: 24180

Whatever the settlement instructions channel you use, the settlement of your OTC transaction with a counterparty with an account in Euroclear Bank to or from your CBL/CBFi account may be done in one single instruction using the following information:

- If you deliver the ETFs, that is, using your CBL/CBFi account to deliver into the domestic market:
 - The place of settlement, that is Euroclear Bank (BIC is MTGCBEBBXXX);
 - The Receiving Agent in Euroclear Bank, that is, EU&I or ESES NL;
 - The safe account of EU&I or ESES NL in Euroclear Bank;
 - The local participant in EU&I or ESES NL that domestically receives the ETFs, that is, BUYR information (in BIC or proprietary code or name);
 - The safe account of this local agent in EU&I or ESES NL.
- If you receive the ETFs, that is, using your CBL/CBFi account to receive from the domestic market:
 - The place of settlement, that is Euroclear Bank (BIC is MTGCBEBBXXX);
 - The Delivering Agent in Euroclear Bank, that is, EU&I or ESES NL;
 - The safe account of EU&I or ESES in Euroclear Bank;
 - The local participant in EU&I or ESES NL that domestically delivers the ETFs, that is, SELL information (in BIC or proprietary code or name);
 - The safe account of this local agent in EU&I or ESES NL.

2. Stock Exchange and OTC settlement

This page has intentionally been left blank.

Contact

www.clearstream.com

Published by

Clearstream Banking S.A.

Registered address

Clearstream Banking S.A.
42 Avenue JF Kennedy
L-1855 Luxembourg

Postal address

Clearstream Banking
L-2967 Luxembourg

July 2017

Document number: 7148
