

ETFs: A Call for Greater Transparency and Consistent Regulation

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Introduction

For more than twenty years, exchange traded funds (ETFs) have allowed investors—both individual and institutional—to gain access to a broad range of asset classes using a low cost, transparent investment vehicle that can be easily traded on an exchange. ETFs are investment products that can help individuals build a nest egg, prepare for retirement, or save for their children’s education. They also help institutions such as large pension plans, foundations and endowments meet their financial obligations.

Like all securities, ETFs are regulated by various government agencies in different countries around the globe. Over the last decade, innovations in the financial industry, in part driven by technology, have changed capital markets significantly and have affected the way all securities, including ETFs, trade. Regulations, however, may need to further adapt to the rapid changes in the marketplace.

At the same time, some financial institutions have launched a variety of new products that trade on exchanges which are also referred to as “ETFs.” However, some of these new products may provide less transparency than traditional ETFs that hold physical securities and may inadvertently introduce additional risk for the investor arising from the management, construction and performance characteristics of these products.

With the proliferation of these new products, critics have questioned whether existing regulations ensure that investors fully understand what they are buying and fully appreciate the risks and costs. The industry has much work to do to address such criticisms, including the development of new regulations regarding transparency.

This paper provides background on the history and structure of ETFs, summarizes recent concerns that have been raised, and describes five proposed regulatory and market reforms to improve the marketplace for ETFs. For purposes of this paper, our focus is on ETFs that are index or passive vehicles, rather than active ETFs. The reforms we recommend are:

- ▶ Clear labeling of product structure and investment objectives
- ▶ Frequent and timely disclosure for all holdings and financial exposures
- ▶ Clear standards for diversifying counterparties and quality of collateral
- ▶ Disclosure of all fees and costs paid, including those to counterparties
- ▶ Universal trade reporting for all equity trades, including ETFs

Background

The first ETF was launched in 1989, with the number of funds steadily growing to more than 2,000 products globally today. Although ETFs come in many shapes and sizes, they share a common feature: they combine key traits of traditional mutual funds and individual stocks. Like mutual funds, they



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provide exposure to diversified baskets of securities typically tracking a specific equity, fixed income or commodity benchmark. Conventional ETFs do this by holding the securities directly, while newer “synthetic” ETFs do this by holding derivatives such as swaps that reflect the returns of underlying securities. Both types of ETFs provide the trading flexibility of stocks, because they can be bought and sold throughout the day on an exchange.

Most ETFs also provide a high degree of transparency by publishing all or substantially all of their holdings frequently, often on a daily basis, so an investor can easily see what he or she owns. This differs from many pooled investment vehicles (including a subset of ETFs) that only disclose their holdings on a monthly or quarterly basis.

With ETFs, investors have the ability to access a wide variety of financial exposures—ranging from specific types of stocks, for example, of large or small cap companies; to stocks of companies in single countries such as Mexico or Germany; to international bonds and many other variations of financial exposure. Prior to the introduction of ETFs, many asset classes—such as emerging markets or certain fixed income sectors—were difficult to access or expensive to trade, especially for individual investors.

ETFs made it convenient for investors to tailor a financial portfolio based on their financial objectives. By investing across a broad range of asset classes, an investor can make his or her portfolio more diversified, which in turn can help to reduce portfolio risk. In addition, by holding a basket of securities, rather than a single stock or bond, ETFs represent broad diversification *within* an asset class. ETFs also typically have lower costs, and, in many cases, can be more tax efficient than other investment options; both of these latter characteristics can help boost an investor’s after tax returns over the longer term.

These benefits help explain why ETFs have become widely used investment vehicles for both institutional and individual investors. Individual investors now use them in a variety of ways: to build a balanced portfolio through careful asset allocation, for example, or to engage in tactical investing among sectors. Institutional investors use ETFs for a variety of strategies as well, including equitization¹, hedging and achieving exposure to otherwise difficult-to-access markets.

Concerns Raised with the ETF Market Today

While the first ETFs were straightforward, tracking relatively broad benchmarks such as the S&P 500 or individual country indexes, today the sector has become more complex and sometimes confusing. Use of synthetic strategies, lack of transparency, and counterparty risk have been cited in a series of reports (See Exhibit 1) as areas of concern.

One of the most notable of these reports was from the Financial Stability Board (FSB) in April of 2011. It stated that “although most of the ETF market remains plain vanilla, there has been an increase in product variety and, in some cases, complexity, albeit with some differences across regions and markets.”

Regulators have focused, among other issues, on ETFs that use derivatives to replicate the performance of a given benchmark rather than holding the physical assets (such as actual stocks or bonds) that comprise that benchmark. Our view is that physically-backed ETFs are typically a better choice for investors, though we recognize that derivative-backed products can have a valid role in an investor’s portfolio when an underlying asset class is hard to access or less liquid and therefore ETF exposure to the asset class can only be provided efficiently through derivatives.

Exhibit 1: Recent Regulatory Reports on ETFs

Affiliate	Publication Type / Title	Publication Date
International Monetary Fund (IMF)	Global Financial Stability Report	April 2011
Bank for International Settlements (BIS)	Working Paper: “Market structures and systemic risks of exchange traded funds”	April 2011
Financial Stability Board (FSB)	Note: “Potential financial stability issues arising from recent trends in Exchange Traded Funds (ETFs)”	April 2011
Bank of England Financial Policy Committee	Recommendation: “The Committee advises the FSA that its bank supervisors should monitor closely the risks associated with opaque funding structures, such as collateral swaps or similar transactions employed by exchange traded funds”	June 2011
European Securities and Markets Authority (ESMA)	Discussion Paper: “Policy orientations and guidelines for UCITS exchange traded funds and structured UCITS”	July 2011
European Systemic Risk Board (ESRB)	Response to July 2011 ESMA Discussion Paper	September 2011

¹ The term for a common short-term portfolio strategy to gain instant market exposure. For example, institutions often use an ETF for short-term market exposure while refining a longer-term investment view or deciding from which active manager or separate managed account (SMA) to choose.

Exhibit 2: Recommended Classifications for Exchange Traded Products

ETP	Exchange Traded Product	<ul style="list-style-type: none"> ▶ Catch-all term for <i>any</i> portfolio exposure product that trades on an Exchange. ▶ ETFs, ETCs, ETNs, and ETIs, are all subsets of ETP.
ETF	Exchange Traded Fund	<ul style="list-style-type: none"> ▶ The product is regulated as a publicly offered investment fund and can be appropriate for a long term retail investor. ▶ Funds with daily leverage and inverse strategies should not use the ETF label. ▶ Funds whose exposure is achieved via a swap should use the best practices detailed below.
ETN	Exchange Traded Note	<ul style="list-style-type: none"> ▶ Debt securities that may be structured as notes or trusts depending on their domicile. ▶ Backed by the credit of its issuer (often an investment bank) which may or may not be collateralized. ▶ The extent of regulatory oversight of these products currently varies by region.
ETC	Exchange Traded Commodity	<ul style="list-style-type: none"> ▶ Limited to products that only hold physical commodities. ▶ In the US, these are highly regulated under the Securities Act of 1933. ▶ Securities that provide exposure to physical commodities but are structured as debt instruments and not backed by the physical underlying commodity should not be considered an ETC.
ETI	Exchange Traded Instrument	<ul style="list-style-type: none"> ▶ A type of ETP that describes any portfolio exposure product traded on an exchange that is not outlined above. ▶ The buyer should exercise increased due diligence.

As ETF providers have begun using derivatives such as swaps in their products they have introduced concerns over an issue not presented by traditional ETFs: the risk that the other party to a derivatives trade will become bankrupt, default or otherwise not meet its obligations (known as “counterparty exposure”). An ETF with counterparty exposure would not perform as designed if a derivatives counterparty fails to perform, and could suffer very significant losses if the counterparty’s obligations are not secured by high quality collateral held by the ETF. In addition, concerns have been raised over counterparty exposure from lending securities (in which case counterparties are the stock borrowers). As discussed in our recommendations, the risk of counterparty exposure can be mitigated by adopting policies for using high quality counterparties unaffiliated with the ETF’s sponsor and setting standards for collateralized exposure. As with other risks, significant counterparty exposure should always be clearly disclosed to investors.

A specific type of derivatives-backed ETF has introduced further complexity by seeking to provide returns that are a multiple of the underlying index through the use of leverage (which can magnify gains or losses) or by seeking to provide returns that are the inverse (or a multiple of the inverse) of the underlying index (resulting in an ETF that attempts to profit from the decline in the value of the underlying benchmark). These products’ use of leverage creates significantly different risks than traditional ETFs do. These risks should be clearly disclosed². It is important for investors to understand the differences among products that are all described as “ETFs” despite exposing investors to different types and levels of risk. In short, investors need to know exactly what they are buying when they invest in ETFs and related products. The ETF industry today, however, is not doing a sufficient job in explaining those differences consistently.

² In addition to counterparty risk resulting from the use of derivatives, leveraged and inverse ETFs typically seek to maintain a specific ratio of leverage to the benchmark each day, and therefore have to increase or decrease their exposure each day in response to market movements. This daily rebalancing process keeps daily leverage at the desired level but results in longer-term performance that may be significantly different than unleveraged performance of the benchmark index multiplied by the specified leverage ratio.

If there is one overarching principle that should guide all participants in the ETF industry, it is transparency. When they were first introduced more than two decades ago, ETFs helped bring a new level of transparency to the financial industry. Most ETFs continue to provide clear and transparent information about holdings and fees. Transparency in the ETF industry can and should be improved for the benefit of investors. This means transparency regarding the structure of products; transparency regarding the holdings of products; transparency about fees charged; and transparency about any counterparties, whether they are used in either securities lending or with swaps.

Recommendations

Against that backdrop, BlackRock recommends that the following global standards of transparency and disclosure for ETFs be adopted:

Clear Labeling of Product Structure and Investment Objectives

While ETFs all share certain characteristics, “ETF” has become a blanket term describing many products that have a wide range of different structures. This has led to confusion among investors. **Investors should know what they are buying and what a product’s investment objectives are.** This can be achieved by establishing a global standard classification system with clear labels to clarify the differences between products. Exchange traded product (ETP) should be the broad term used to describe any portfolio exposure product that trades on an exchange. ETF should refer only to a specific sub-category that meets certain agreed upon standards (see Exhibit 2).

BlackRock³ recognizes that different regulators around the world have different views about what is permissible within a fund. US, European and Asian regulators, for example, are taking different stances on the permissibility of using derivatives (including swaps) in ETFs. A standardized classification system would benefit all investors in understanding what they are buying, and such a system can also assist regulators in developing appropriate rules in each jurisdiction. The International Organization of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA), among others, have already begun focusing on addressing issues of fund categorization for exchange traded products.

At the most basic level, and with respect to what an investor expects of an exchange traded fund, a product defined as an ETF should mean that the product is regulated as a publicly offered investment fund and is appropriate for a long-term retail investor. Products that are designed only for professional or short-term investors, such as exchange traded products that use leverage or inverse strategies, would not be permitted to use the “ETF” label.

Regarding derivatives usage, any significant use of derivatives, including swaps, should be clearly disclosed. If a fund's primary exposure is achieved by a swap, then to address systemic and investor concerns, the following features must be incorporated. First, any counterparty exposure must be wholly offset with high quality collateral. Second, the swap structure should follow best practices as outlined in the section below that addresses clear standards for diversifying counterparties and quality of collateral.

Exchange traded notes (ETN) are often used to provide exposure to asset classes that are very difficult to access or to complex investment strategies. These products are not funds and are instead unsecured debt issued by the sponsor. An investor in these products will thus have counterparty exposure to the issuer with the degree measured by the collateral levels. Labeling these products as ETNs will help investors understand these risks. Different regions currently have different levels of regulatory oversight regarding ETNs—for example, in the United States they are registered under the Securities Act of 1933 but other jurisdictions currently lack a consistent body of legislation governing their structure or oversight.

A product that is fully backed by a physical commodity (rather than securities) and is regulated under the laws of its respective jurisdiction would be labeled an exchanged traded commodity (ETC). These products should have the effective protection of an ETF structure. Any note structure giving commodity exposure that is not backed by the underlying commodity should not be classified as an ETC. Instead, these should be classified as an ETN.

An exchange traded instrument (ETI) would be the category used to describe any portfolio exposure product traded on an exchange that is not outlined above. This category may contain products that are well understood and regulated as well as those that are designed only for qualified investors. Labeling these products as ETIs is not pejorative but will serve as a designation that the objectives or structure of the product merits further investor scrutiny. The key is that the investor needs to be careful and regulators need to consider whether these products are being sold with all appropriate disclosures.

The overarching theme for classification of ETPs is that investors need better clarity to understand various structures. Clear labeling combined with disclosure of risks is a critical starting point. The answers to questions in Exhibit 3 can help guide a classification system. This type of classification will also provide the necessary framework for other disclosure standards that we believe are necessary as described below.

Exhibit 3

Questions to ask about Exchange Traded Products

Confused by classifications of exchange traded products? Investors should ask the following questions about how the product is structured:

- ▶ Does the product use any derivatives (including but not limited to futures, options, notes, or swaps) to track its benchmark/index?
- ▶ If a derivative is used, what are the types of derivatives and are they used as a portfolio management tool for a small portion of the exposure or as the primary way the product tracks its benchmark/index?
- ▶ Does the product have any counterparty exposure? If so, who are the counterparties and what are the collateralization levels to address that counterparty exposure?

Frequent and Timely Disclosure of All Holdings and Exposures

Just as investors should understand the structure of any exchange traded product they are buying, they should also understand what that product holds. To that end, sponsors should be required to disclose a clear picture of what the product holds and any other financial exposures it has. Ideally, the goal should be daily disclosure of holdings and exposures, but we recognize that there are currently practical, technical and legal constraints that may prevent full disclosure of all portfolio holdings in some products.

Physically-backed products. For ETFs backed primarily by physical securities (e.g., stocks or bonds) that do not use

³ “BlackRock” means BlackRock, Inc. and its subsidiaries worldwide.

derivatives, this disclosure is relatively straightforward. For example, if the product is an S&P 500 product that holds all stocks in the S&P 500 index, these stocks would be listed in the disclosure.

Derivative-backed products. Sponsors should disclose all usage of derivatives, including futures, options and swaps. Products that use swaps to achieve their objective have counterparty exposure. In other words, there is a possibility that something might happen to the counterparty that would prevent the counterparty from fulfilling its financial obligations. To mitigate this exposure, collateral is posted. Information including the identities of counterparties, their relationship to the sponsor and the type and value of any collateral should be clearly presented to the investor.

Clear Standards for Diversifying Counterparties and Quality of Collateral

In addition to disclosure, standards should be established regarding counterparty exposure and the quality of collateral posted by counterparties. As mentioned above, different regulatory regimes have different approaches to counterparty exposure. The FSB report released in April asked appropriate questions regarding counterparty exposure that could arise when a swap is used to track the underlying benchmark as well as from the practice of securities lending. We look at counterparty exposure in general, then focus on best practices with swaps and securities lending.

Counterparty exposure. Best practice for both synthetic ETFs and securities lending is for the fund to transact with multiple, unaffiliated counterparties and to over collateralize with highly liquid and diversified collateral. Clear guidelines are also required regarding the types of collateral that are permissible. For example, in the United States, if a fund lends its securities, the counterparties post cash that is typically invested by the fund in money market funds that have liquidity and holdings parameters regulated by the U.S. Securities Exchange Commission (SEC) with a primary objective of providing stability of principal and liquidity to investors. In Europe, the collateral posted must meet the Undertakings for Collective Investment of Transferable Securities (UCITS) requirements of the European Union regarding liquidity, diversification, and over-collateralization.

Use of swaps. If a fund's primary exposure is achieved by a swap, then counterparty exposure must be wholly offset with high quality collateral. In addition, providers should follow best practices with regards to swaps outlined below (see Exhibit 4).

Securities lending. Securities lending is a common practice engaged in by institutional investors and funds (including ETFs) whereby they temporarily lend a security that they own to another investor or financial intermediary for a fee and

Exhibit 4: Differences between swap structures

Best Practices		Worst Practices
Over-collateralized	vs.	Limited collateral posted
Multiple counterparties	vs.	Single counterparty
Standards for collateral (type of securities)	vs.	No standards
Independence between swap counterparty and sponsor	vs.	Affiliated swap counterparty and sponsor

receive collateral such as cash or other securities in exchange. Securities lending in ETFs can help investors earn additional income. Lenders such as ETFs often pay a portion of their income from securities lending to an agent that arranges the loans, collects collateral from borrowers and manages the lending program. Securities lending benefits borrowers (and capital markets generally) by facilitating trade settlement and permitting short selling for hedging or other purposes, which, in turn, can result in improved price discovery.

Securities lending brings risks that need to be managed and communicated appropriately. Best practices include:

- ▶ Full disclosure of all fees paid by a fund in connection with earning securities lending revenue, including collateral management, administration or securities transfer fees borne by the lender
- ▶ Oversight of credit risk with respect to counterparty risk, collateralization levels, and cash collateral issuer risk undertaken by sophisticated risk managers that are independent from the securities lending agent
- ▶ The management of cash collateral is limited to low-risk cash management strategies undertaken by an investment manager with deep experience in stable net asset value products

Disclosure of All Fees and Costs Paid, including those to Counterparties

As some funds have become more complex, the fees associated with some of them have also become more complex. Investors should have complete clarity regarding all the costs and revenues associated with any fund they buy, so they can clearly establish the total cost of ownership. Thus, in addition to clearly stating the management fee paid by the fund to the sponsor, the disclosure should include any costs or fees that affect the investors' holdings, including those paid to companies related to the fund provider such as swap counterparties and securities lending participants.³

³ Synthetic ETFs that hold swaps may receive swap terms that reflect the benefit that the swap counterparty receives from lending securities held by the swap counterparty as a hedge against its swap obligations. This is similar to the swap counterparty lending the ETF's securities for a share of the fees, but in the case of synthetic ETFs the risks and returns of the lending are typically not disclosed to ETF investors. Fund investors would benefit from full disclosure of such indirect lending by synthetic ETFs as well as direct lending.

BlackRock supports financial regulatory reform that increases transparency, protects investors and facilitates responsible growth of capital markets, while preserving customer choice and assessing benefits versus implementation costs.

Today, most ETF provider websites post the expense ratio, often referred to as the total expense ratio or TER. We recommend uniform global standards that determine which additional fees and expenses are included (or excluded) from the TER, enabling the investor to understand the true total cost of ownership of buying an exchange traded product.

Universal Trade Reporting for All Equity Trades, including ETFs

One of the reasons so many investors have embraced ETFs is because they trade throughout the day on a recognized exchange. Various jurisdictions, however, have different rules regarding the reporting of trades on an exchange. One of the main regulatory initiatives in both the United States and in Europe is to move over-the-counter (OTC) derivatives trading onto an exchange with a central clearing party. Their goals are to reduce systemic risk and to increase transparency. Similarly, ETFs should be subjected to standardized transaction reporting.

BlackRock: Our Commitment

BlackRock supports financial regulatory reform that increases transparency, protects investors and facilitates responsible growth of capital markets, while preserving customer choice and assessing benefits versus implementation costs. We have long been committed to transparency regarding structure, holdings and fees in our iShares® index exchange traded funds. We already disclose most of the information discussed in these recommendations, and we are committed to doing so in all our products.

If possible, we will seek to use physical securities in our funds. In the few circumstances where we believe fund investors are better served by use of derivatives, we will use derivatives, but will use the best practices noted above. If the product includes significant exposure to swaps, we will have a high quality standard for collateral, full fee disclosure and over-collateralization and will use counterparties unaffiliated with BlackRock that provide the best terms for fund investors. While different regulatory regimes will have different guidelines

regarding the specifics of acceptable collateral, BlackRock looks to meet or even exceed these standards. From a transparency perspective, both the counterparties and the collateral should be clearly disclosed to the investor.

BlackRock's iShares products, in many regions, are now moving toward the system of classification outlined in this paper. Clearer labeling and disclosure of product structure *industry-wide* would also benefit investors. As a global leader in ETFs, BlackRock's iShares products will adapt, where applicable, over the coming months, to changes that are required to ensure that all of its ETF products meet all of the standards outlined in this paper. We recommend the same be required for all participants in the industry.

Conclusion

ETFs have provided investors with a low cost and transparent way to access a wide variety of asset classes for more than two decades. When first introduced, ETFs brought investors new levels of transparency and disclosure among other benefits. However, increasingly complex ETFs and related products have sometimes failed to maintain that standard and have introduced new risks to these products.

BlackRock welcomes the focus of the Financial Stability Board, International Organization of Securities Commissions, and other member securities regulators from around the world on ETFs and related securities. As highlighted in this report, new standards are required to maintain the integrity of ETFs as sound investment products. We explicitly support uniform standards on labeling, transparency, disclosure and reporting that will reduce systemic risk, improve investor protection and help ensure that investors understand precisely the risks and attributes of the ETPs that they are purchasing.

Other BlackRock Resources

- ▶ *ViewPoint*: Understanding the Flash Crash: What Happened, Why ETFs Were Affected, and How to Reduce the Risk of Another
- ▶ *ViewPoint*: Revisiting the Flash Crash: A Year Has Passed, What Has Changed?
- ▶ The ABCs of ETFs
- ▶ ETFs: Setting the Record Straight

For online access to *ViewPoint* series:
<http://www2.blackrock.com/global/home/PublicPolicy/ViewPoints/index.htm>

Glossary of Terms

Basket	A collection of securities delivered to or by an ETF in connection with in-species issuance or redemption of ETF shares. The basket generally reflects the securities held in an ETF.
Collateral	Properties or assets that are offered to secure a loan or other credit.
Counterparty	The other party participating in a financial transaction.
Derivative	A security whose price is dependent upon or derived from one or more underlying asset prices, index levels or interest rates.
Derivative-backed ETP	An ETP that seeks to replicate the returns of a benchmark index principally through the use of derivatives such as swaps. Commonly referred to as “synthetic.”
European Securities and Markets Authority (ESMA)	An independent EU Authority that contributes to safeguarding the stability of the EU financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).
Exchange Traded Fund (ETF)	A collective investment vehicle that seeks to track an index, a commodity or a basket of assets like an index fund, but trades on an exchange.
Exchange Traded Note (ETN)	A security, commonly structured as senior, unsecured, unsubordinated debt, issued by an underwriting bank. An ETN trades on an exchange and has other features designed to resemble an ETF, but is not a fund backed by assets.
Exchange Traded Product (ETP)	A type of security which trades intra-day on an exchange; the term is often used to categorize a group that includes Exchange Traded Funds, Exchange Traded Commodities, Exchange Traded Notes, and Exchange Traded Instruments.
Equitization	The practice of buying an ETF or derivative to get instant exposure to an equity benchmark. A common short-term use of ETFs is “equitizing” cash.
Financial Stability Board (FSB)	An international association established to coordinate the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies.
Index	A group of securities chosen on criteria and maintained based on a set methodology. An index is used as a performance benchmark for a particular asset class.
Inverse ETP	An ETP that is constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark.
International Organization of Securities Commissions (IOSCO)	An international cooperative forum for securities market regulatory agencies. Today IOSCO’s membership, which is drawn from over 100 jurisdictions, regulates more than 95% of the world’s securities markets.
Leveraged ETP	An ETP that uses financial derivatives with the aim of amplifying the returns of an underlying index.
Physically-backed ETP	An ETP backed primarily by physical securities (e.g., stocks or bonds) or commodities that does not use derivatives. Commonly referred to as “plain vanilla.”
Securities Act of 1933	This piece of U.S. federal legislation, enacted as a result of the market crash of 1929, has two primary objectives: to require that investors receive financial and other significant information concerning securities being offered for public sale, and to prohibit deceit, misrepresentations, and other fraud in the sale of securities.
Securities lending	The act of loaning a security to an investor, who must eventually return the same security as repayment. Securities lending requires the borrower to post collateral.
Swap	Agreement made between two parties to exchange a stream of periodic payments. Swaps are often used to minimize risks associated with fluctuating factors such as currency or interest rates, but can also be used to receive the returns of an index without owning the underlying index components. When used by ETFs, typically the ETF periodically pays interest based on a common rate and receives (or pays) an amount that reflects any increase (or decrease) in the level of an equity index.
Total Expense Ratio (TER)	A measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses.
Undertakings for Collective Investment in Transferable Securities (UCITS)	A public limited company that coordinates the distribution and management of unit trusts among countries within the EU.

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