

**BlackRock, Bloomberg, State Street Global Advisors, Tradeweb and Leading Broker Dealers Announce Market Standard Methodology for Fixed Income ETFs**

*Standard approach agreed for the consistent calculation of yields, spreads and durations for fixed income ETFs*

**July 27, 2015, New York / London** – Global leaders in the fixed income ETF market have announced a market standard methodology to enable bond buyers to calculate key metrics for fixed income ETFs. This approach will enhance the ability of investors to conduct intra-day analysis of different ETFs and between ETFs and other fixed income instruments across multiple trading platforms. BlackRock, Bloomberg, State Street Global Advisors (SSGA) Tradeweb and leading broker dealers will use an agreed standardized aggregated cash flow approach for calculating yields, spreads and duration, as well as other metrics to evaluate and quote fixed income ETFs such as yields, spread and duration. This will allow fixed income investors to analyze fixed income ETFs using the same metrics that are used for other bond and derivative products.

“Developing a global market standard for bond ETFs is critical for the future evolution of fixed income markets. Agreeing to a common language and framework improves investors’ ability to analyze bond ETFs relative to other fixed income instruments. This creates exciting new opportunities for bond investors to accelerate their use of ETFs,” said **Mark Wiedman, Global Head of iShares at BlackRock**.

Fixed income ETFs are diversified portfolios of physical bonds that trade on an exchange. Since inception in 2002, the products have grown rapidly, with an aggregate value of over \$450B globally. However, global fixed income ETF assets still only represent less than 0.4% of the total fixed income market.

“While the growth of fixed income ETFs has been substantial in recent years, the institutional participation in this market has been slow to develop. One factor hindering institutional adoption has been the lack of standardization of a yield and spread calculation,” said **Ben Macdonald, Bloomberg's Global Head of Product**. “In the future, we expect to see greater exposure to fixed income ETFs by institutional investors, and we have worked with the industry to develop this new methodology and the tools to help our customers identify investing opportunities.”

“Fixed income ETFs are in their early stages of growth as investors become better acquainted with their ability to provide efficient access to the global bond markets and their emergence as an indispensable portfolio management tool,” said **James Ross, executive vice president and global head of SPDR Exchange Traded Funds at State Street Global Advisors**. “Establishing a standard fixed income ETF methodology for the calculation of yields, spreads and durations supports their growing importance while helping investors make more accurate product comparisons and improve portfolio construction.”

The move to enable ETF usage comes at a time when institutional investors are increasingly turning to ETFs for a variety of fixed income portfolio needs, including cash management and liquidity management.

“Since fixed income ETFs are increasingly being priced by bond desks, this initiative will make it considerably easier for traders to analyze and value these products”, said **Lee Olesky, CEO Tradeweb Markets**. “Almost a third of our ETF volume is in fixed income-based products, and

we see great potential for this segment of the market. This is an important initiative for the ETF industry, and another factor that will improve the market's ecosystem and contribute to its growth."

"In an environment with increasing capital requirements and constraints, investors are hungry for alternatives like fixed income ETFs to help them source liquidity. Standardization of key metrics is a critical precondition for fixed income products that trade more like equities," said **Brian Levine, head of Cross-Asset ETF products and co-head of Global Equities Trading at Goldman Sachs.**

Upon launch in the fall, fund information for iShares and SPDR single-currency fixed income ETFs will be available using this new standard, with Bloomberg, Tradeweb, and BlackRock's risk and enterprise investment system Aladdin®, each displaying risk metrics through their analytics, trading, and investment platforms. The risk metrics will also be accessible from <http://www.ishares.com/> and <https://www.spdrs.com/>.

### **About BlackRock**

BlackRock is a global leader in investment management, risk management and advisory services for institutional and retail clients. At June 30, 2015, BlackRock's AUM was \$4.721 trillion. BlackRock helps clients around the world meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. As of June 30, 2015, the firm had approximately 12,400 employees in more than 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa. For additional information, please visit the Company's website at [www.blackrock.com](http://www.blackrock.com) | Twitter: [@blackrock\\_news](https://twitter.com/blackrock_news) | Blog: [www.blackrockblog.com](http://www.blackrockblog.com) | LinkedIn: [www.linkedin.com/company/blackrock](http://www.linkedin.com/company/blackrock)

### **About iShares**

iShares is a global leader in exchange-traded funds (ETFs), with more than a decade of expertise and commitment to individual and institutional investors of all sizes. With over 700 funds globally across multiple asset classes and strategies and more than \$1 trillion in assets under management as of June 30, 2015, iShares helps clients around the world build the core of their portfolios, meet specific investment goals and implement market views. iShares funds are powered by the expert portfolio and risk management of BlackRock, trusted to manage more money than any other investment firm.<sup>1</sup>

### **About Bloomberg**

Bloomberg, the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company's strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally. For more information, visit [www.bloomberg.com](http://www.bloomberg.com).

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<sup>1</sup> Based on \$4.721in AUM as of 6/30/15.

### **About State Street Global Advisors**

For nearly four decades, State Street Global Advisors has been committed to helping our clients, and those who rely on them, achieve financial security. We partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With trillions\* in assets, our scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and allow us to deliver thoughtful insights and innovative solutions.

State Street Global Advisors is the investment management arm of State Street Corporation.

*\*Assets under management were \$2.4 trillion as of June 30, 2015. Please note that AUM totals are unaudited.*

### **About Tradeweb Markets**

Tradeweb Markets builds and operates many of the world's most efficient financial marketplaces, providing market participants with greater transparency and efficiency in fixed income, derivatives and ETFs. Focused on applying technology to enhance efficiency throughout the trade lifecycle, Tradeweb pioneered straight-through-processing in fixed income and now supports marketplaces for more than 20 asset classes with electronic execution, processing, post-trade analysis and market data in an integrated workflow. Tradeweb Markets serves the dealer-to-customer markets through the Tradeweb institutional platform, inter-dealer trading through Dealerweb, and the US-based retail fixed income community on Tradeweb Direct. Customers rely on Tradeweb to drive the evolution of fixed income and derivatives through flexible trading architecture and more efficient, transparent markets. For more information, visit [www.tradeweb.com](http://www.tradeweb.com).

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**Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.**

**ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.**