

SPDR ETFs Converts to ICSD Model

April 2019 | Market Commentary

On 9 March 2018, SPDR ETFs converted its UCITS range to the International Central Securities Depository ('ICSD') structure. We believe the ICSD model offers a range of potential benefits to ETF investors, and thus this transition marks an important step in allowing SPDR to better serve its investors. As an industry leader, SPDR is one of only a few ETF providers to have converted to this innovative structure.

'International Central Securities Depository' refers collectively to Euroclear Bank and Clearstream Banking Luxembourg, the ICSDs. In partnership with the wider ETF industry, and driven by the collective requirement to streamline a fragmented European post-trade market, Euroclear Bank developed a new issuance and post-trade solution for ETF instruments based upon proven structures used extensively for Eurobonds and Depositary Receipts.

In 2013 the first ETF was issued under the ICSD structure, whilst in 2014 SPDR ETFs became the first ETF issuer to migrate existing domestically issued products on to the ICSD platforms.¹ Issuers have continued to adopt this structure, which speaks to the various advantages the approach offers. As such, SPDR ETFs believes this innovation will help support the continued growth of ETFs across Europe.

To learn more about the transition to the ICSD model, please contact SPDR ETFs:

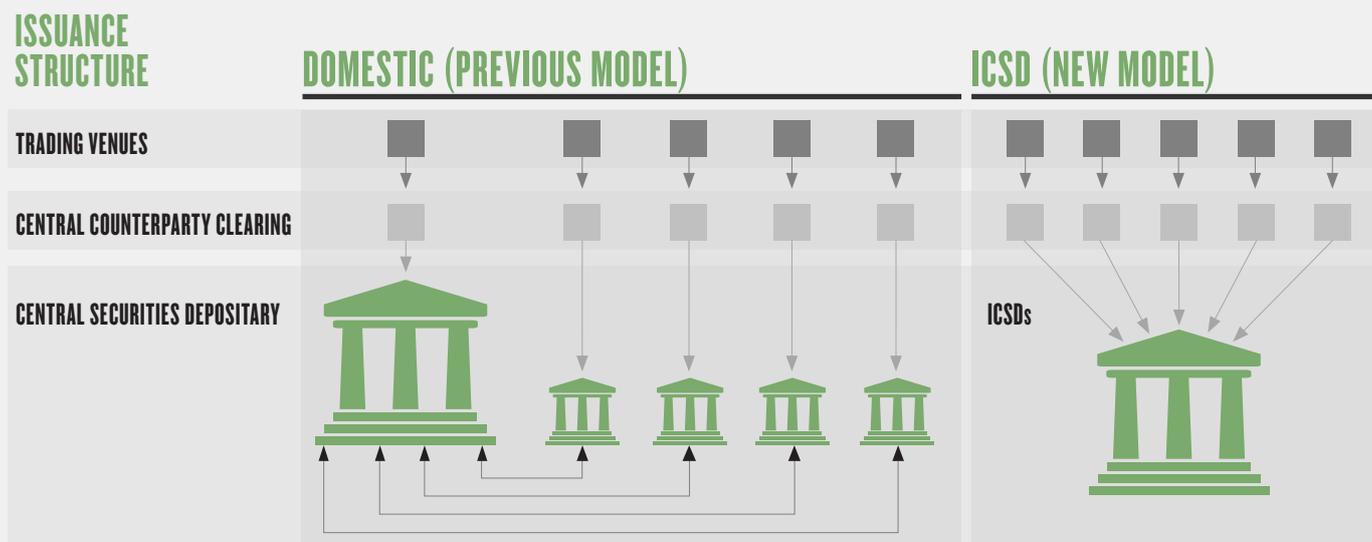
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¹ Source: State Street Global Advisors, as of 30 March 2019.

Potential Benefits of the ICSD Structure:

- **Rationalisation of the SPDR UCITS range.** All of the SPDR UCITS range now utilise a single issuance and post-trade structure.
- **Improved settlement performance.** There are expected improvements over time in the settlement performance of our products versus the domestic Central Securities Depository (CSD) structure for multi-listed ETFs.
- **Reduced liquidity fragmentation.** Assets can now be pooled/held in a single depository structure, regardless of listing(s) held. This single issuance structure helps to reduce inventory requirements. It may also support lower capital charges and overheads for market makers and liquidity providers.
- **Minimised operational complexity.** The ICSD model lessens the fragmentation experienced under the domestic CSD structure for ETFs with multiple listings, removing the requirement for cross-border re-alignments between domestic CSDs, which can be complex, costly and time consuming.
- **Enhanced operational and distribution capabilities.** The ICSD model supports the alignment of a consistent record date methodology across European regions, and also increased foreign exchange optionality for dividend distributions that, over time, can help tailor requirements directly to specific investor needs.
- **Allows for a more efficient securities lending market for ETF shares.** Given assets can now be held within a centralised structure, the process that lending desks utilise to identify available 'lendable' positions will be operationally more simplistic. This is a key baseline development in supporting the growth of the ETF lending and borrowing ecosystem within Europe.



The above diagram is for illustrative purposes only.

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