

HANetf ICAV ETFs conversion to the International Central Securities Depository Model

From July 2020, all ETFs issued by HANetf ICAV are issued under the ICSD settlement model. Effective 3rd August 2020, the following ETFs (“Converting ETFs”) will convert to the ICSD model:

HANetf ICAV	
HANetf ICAV HAN-GINS Tech Megatrend Equal Weight UCITS ETF Accumulating	IE00BDDRF700
HANetf ICAV HAN-GINS Cloud Technology UCITS ETF Accumulating	IE00BDDRF924
HANetf ICAV EMQQ Emerging Markets Internet & Ecommerce UCITS ETF Accumulating	IE00BFYN8Y92
HANetf ICAV The Medical Cannabis and Wellness UCITS ETF	IE00BG5J1M21
HANetf ICAV KMEFIC FTSE Kuwait Equity UCITS ETF - Accumulating	IE00BGPBVS44
HANetf ICAV HAN-GINS Indxx Healthcare Innovation UCITS ETF - Accumulating	IE00BJQTJ848

1. Why this change?

Due to the United Kingdom's departure from the European Union, ETFs will no longer be able to use the CREST system as the issuer's central securities depository (CSD) after 29 March 2021. ETFs will be required to change to a CSD authorised within the European Union before that date. As a result, HANetf ICAV has decided, along with the other ETF issuers, to change its issuing process, moving securities from the CREST system to the International Central Depository (ICSD) settlement system.

2. In a nutshell, what is the ICSD settlement model?

The key feature of the ICSD Settlement Model is that it provides centralised settlement in Euroclear Bank S.A./N.V. and Clearstream Banking S.A., Luxembourg (each an ICSD) for transactions executed on multiple stock exchanges. Migrating from an issue in CREST to the ICSD requires a technical change in the structure of the ETF shareholding.

3. What are the benefits of this change of settlement system for shareholders and more generally for the ETF market?

There are multiple benefits of the ICSD model to ETF issuers and investors. In particular:

- All securities will have a single ISIN;
- Because it simplifies settlement process, failures are expected to decrease;
- Settlement windows across Asian, European and US time zones will be longer and global access will improve with the Euroclear Bank multi-currency platform;
- Euroclear provides automatic FX conversions on dividend payments;
- Inventory requirements and capital charges are likely to decrease, allowing market makers and broker dealers to reduce their trading costs;
- Adopting a single settlement standard will facilitate their liquidity and use in the
 - ✓ Securities Lending market, and as
 - ✓ Collateral at the European Central Bank.

4. Can I opt out?

No. The conversion is a mandatory corporate action.

5. Can I keep my securities in CREST?

Yes. You may continue to hold securities as CDIs in the CREST System following the conversion. You may also choose to migrate the holding of your shares to Euroclear Bank.

Holdings in the CREST system in the Converting ETFs will be replaced by CREST Depository Interests (CDIs). CDIs operate under the terms of the CREST International Settlement Links Service. The CDIs will carry the same ISIN as the shares held in ICSD.

6. Will the ISIN code change?

No. However, “DE” ISIN will be decommissioned and replaced by an “IE” ISIN.

7. Do I need to take specific steps?

No. The conversion does not require any action from shareholders in the Converting ETFs. The securities will be disabled from settlement after 18:00 BST on Friday, 31 July 2020 and re-enabled in CDI format as soon as practically possible on Monday, 03 Aug 2020, after the transfer to Euroclear Bank has been completed.

8. What does it change to the settlement of the shares?

Under the domestic settlement model, only shareholders with an account in CREST, or their nominees (usually their custodian), are registered holders of the ETF. With the ICSD model, all shareholders will move to a beneficial entitlement through the Common Depository nominee.

Specifically, under the domestic model, a number of nominees of Authorised Participants and other account holders in the CREST system as well as CSDs or their nominees are registered as shareholders on the ETF register. Under the ICSD settlement model, all investors will be represented through the Common Depository and the sole registered holder of all shares in each ETF will be the Common Depository nominee. The Common Depository has been appointed by the International Central Securities Depositories and its holding will represent the holding of the investors through the ICSD.

9. Will it impact the payment of dividends and redemption proceeds?

You should not experience any difference in the way the dividends and redemptions are processed. In the background, the Common Depository and the ICSD are contractually bound to pass any distributions received in respect of the ETF to the investors or their nominees. If a paying agent receives any redemption proceeds or dividends from the ETF or its authorised agent, it will arrange for such payments to be passed on to the ICSD via the Common Depository, and the ICSD, will in turn pay any redemption proceeds and dividends received to the relevant underlying investor or their nominee.

