

Clearstream

Vestima – Issuance and Settlement of ETFs

Product information

Key benefits

Efficiency gains

- Reduced need for complex realignments
- Simplified inventory management
- Lower operational costs
- Elimination of multiple ISINs:
One single ISIN per ETF

Reduced risk

- Reduced settlement failure risk

Global reach

- Clearstream provides access to over 50 markets, enabling ETFs to be traded beyond European boundaries

Increased liquidity

- Clearstream's ICSD and CSD infrastructure enables ETF trading on a greater scale, achieving higher levels of liquidity

Maximise issuance and settlement efficiency for ETFs

Exchange-traded funds (ETFs) are an increasingly popular asset class. The market for ETFs has grown significantly to a value of more than EUR 450 bn with over 2,200 products in at least 20 countries since Deutsche Börse first introduced ETFs in Europe in 2000. However, this growing demand is curtailed by settlement and realignment challenges within the fragmented European market which can be overcome by issuing and settling ETFs in Clearstream.



In Europe, ETFs are listed on multiple exchanges in different regions. As a result, trading desks have to hold multiple accounts with all central securities depositories (CSDs) with differing post-trade practices. The necessary realignments of positions between some CSDs on the post-trade side when ETFs are traded across borders can create extra cost and complexity and result in increased operational risk and capital burden.

These difficulties arise when the CSDs are separately connected with the Registrar of the fund. To avoid realignments at the register, it is most efficient to issue the fund through a single CSD or through an ICSD. Market participants expect the volume of ETF assets to increase significantly once the key issue of fragmentation in the European ETF market is solved and an efficient international infrastructure is in place.

Clearstream's ETF CSD issuance solution

Clearstream offers issuance services via its CSD in Germany which will be fully compatible with the European Central Bank's single settlement platform TARGET2-Securities (T2S).

This means that the German CSD is fully connected to other CSDs and ICSDs, making it ideal for investors choosing the CSD issuance solution.

Clearstream's ETF ICSD issuance solution

Clearstream's international infrastructure (ICSD) is also well placed for the issuance and settlement of multi-listed ETFs. An international ETF post-trade infrastructure provides issuers with an efficient framework for cross-border traded ETFs, and alleviates operational risk and capital burdens.

Under this international issuance solution, both settlement and distribution take place in Clearstream's

ICSD, resulting in simplified inventory management and cost-effective trading between different venues, including "Bridge" interoperability with Euroclear's ICSD.

With Clearstream's international issuance solution, ETF issuers and their appointed transfer agent can benefit from Vestima's Central Facility for Funds (CFF) for integrated mark-ups / mark-downs and secured post-trade settlement.

Clearstream as the gateway to T2S

As the largest T2S participant, Clearstream can help issuers lower their overall funding costs and increase investor reach by providing a gateway to T2S, through three key entry points:

- Clearstream's CSD in Germany (largest CSD connecting to T2S)
- Clearstream's ICSD in Luxembourg (full inventory available on T2S)
- LuxCSD (Luxembourg's CSD)

Issuers can use Clearstream as their single primary issuance location for both European and worldwide issuance under T2S and beyond, making Clearstream the ideal gateway to capital markets worldwide.



Global reach

Clearstream's ICSD and CSD solutions provide ETF issuers with global access to international and domestic investors in over 50 markets as well as multicurrency settlement in over 40 currencies. This global reach makes Clearstream the issuance and settlement location of choice for major issuers of multi-listed ETFs.

With its ICSD and CSDs, Clearstream is ideally positioned to cover the key connections and ensure optimal issuance and post-trade efficiencies. This seamless integration at Clearstream helps issuers distribute their securities to investors worldwide.

ETFs as collateral

By issuing and settling ETFs at Clearstream, issuers facilitate investor access to the extensive range of collateral management services and securities lending opportunities within Clearstream's Global Liquidity Hub. In turn, such opportunities are further increasing investor appetite for ETFs.

More and more ETF issuers are looking to Clearstream as their one-stop-shop to cover all their ETF servicing needs including issuance, settlement and distribution as well as their investors' needs ranging from asset servicing to collateral management and securities lending.

Contact information

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