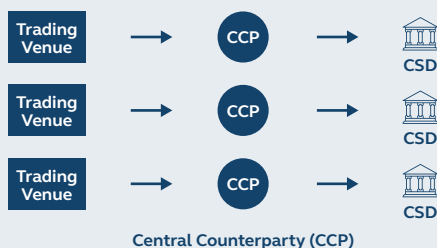


The international central securities depository (ICSD) ETF settlement model allows ETFs to move seamlessly across global stock exchanges. Available on HKEX, it makes ETF shares issued in ICSD and cross-listed on HKEX fungible between markets. Through the model, Clearing Members can use their Euroclear or Clearstream accounts to receive and deliver ETF units to and from HKSCC's account in Euroclear.

Benefits of the international ETF model

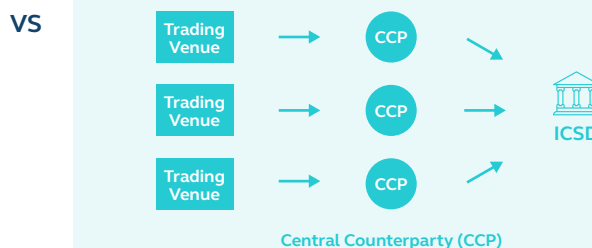
Domestic Issuance Model

Settlement takes place in the central securities depository (CSD) of the exchange where the trade took place. When buying ETFs in one market and selling in another, the settlement process required to move or 'realign' a security to a different CSD is highly complex and often causes inefficiencies.

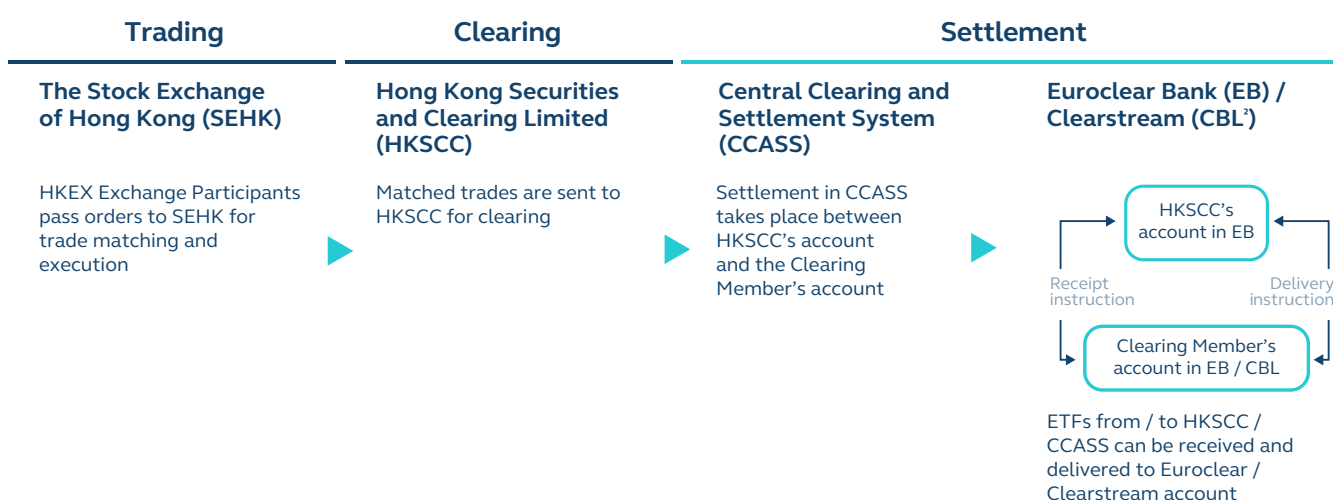


International Issuance Model

Settlement takes place in the ICSDs with a single pool of inventory, eliminating the need for realignment. Settlement risk is reduced as there is no longer a need for burdensome cross-border share transfer, one of the main reasons for ETF settlement failure. Investors can benefit by improved trading liquidity and narrower spreads.



ICSD post-trade processing



¹ ICSD model applies to Exchanged Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products).

² Clearstream Banking Luxembourg

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