

Legal & General UCITS ETF plc

Planned Conversion to the International Central Securities Depository (“ICSD”) Model

This document is for general guidance only in relation to Legal & General UCITS ETF plc (the “Fund”) in preparation for its transition to the ICSD settlement model. The information contained within this document is intended for the use of institutional investors, custodian banks, and corporate actions departments. Further details regarding the Fund’s conversion to the ICSD settlement model are contained in previous notices and announcements made in respect of the Fund, copies of which can be found www.lgimetf.com.

As announced on 20 March 2020, the Irish High Court has approved the conversion of the Fund to the ICSD settlement model in place of the current settlement model on the date set out in the Timings section below.

The Sub-Funds are exchange traded funds (“ETFs”) and currently use the CREST System, a CSD authorised in the United Kingdom, as the issuer CSD for the purpose of settling trades in the Shares of the Sub-Funds. As a result of the UK’s departure from the European Union, the Company will not, in the absence of further legislative measures, be able to continue to use the CREST System as the issuer CSD after 29 March 2021 and will be required instead to change to a CSD authorised within the EU before that date.

It is therefore proposed that the Company changes its issuer CSD from the CREST System to the ICSD. We are of the view that the ICSD Settlement Model provides a more streamlined, centralised settlement structure, which is expected to result in improved liquidity and spreads for investors and reduce risk in the settlement structure.

The ICSD 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. It is expected that this will result in better liquidity for investors and less liquidity fragmentation compared to using multiple local CSDs. It is also expected that the ICSD Settlement Model will improve settlement times due to inventory of the Sub-Funds being pooled in the ICSD structure, which offers a longer window for settlement of transactions and minimisation of the need to manually move Shares between multiple local CSDs.

Adopting the ICSD Settlement Model will require a technical change in the structure of the shareholding in the Sub-Funds. This can be actioned by way of a Scheme of Arrangement (the “Scheme”) under Chapter 1 of Part 9 of the Companies Act 2014 of Ireland (the “Act”).

Benefits of the ICSD Model:

- Enhanced secondary market tradability for investors by creating a more efficient settlement infrastructure.
- Removes the requirement for German DE ISINs when securities are traded between the UK (“IE” ISIN) and German (“DE” ISIN) markets.
- Reduction in fails and settlement delays, due to the ability to pool inventory under the ICSD structure.

- Enhancement of settlement process efficiency through longer operating hours of the International Central Securities Depositories, increasing the time in which trades can match and settle and by minimizing operational complexity.
- Reduction in inventory requirements and lower capital charges and overheads for market makers and broker dealers, which could ultimately support reduced trading costs for end investors.

Main Differences between the ICSD Settlement Model and the Current Settlement Model

- Under the current settlement model only investors with accounts in the CREST system and certain CSDs (e.g. Clearstream Banking AG, Frankfurt/Main) or their nominees are registered shareholders of the Fund. Under the ICSD settlement model, all shares in a fund will be evidenced by a global share certificate and registered in the relevant Fund's register in the name of a single shareholder, viz., the Common Depository's nominee.
- Under the ICSD settlement model, the Common Depository, Common Depository's nominee and International Central Securities Depositories of each Fund, will be subject to contractual obligations to pass beneficial interest and all associated rights in a Fund's shares to the underlying investors of each Fund.
- Additionally, the Common Depository, the current Depository's nominee and the International Central Securities Depositories will also be contractually bound to pass any distributions received in respect of the Fund to underlying investors/their nominees. If a Common Depository's nominee receives any redemption proceeds or dividends from the Fund or its authorised agent, it will arrange for such payments to be passed on to the relevant International Central Securities Depositories, who will in turn pay any redemption proceeds and dividends received to the relevant underlying investor/their nominee.
- For current shareholder of a Fund, who are registered in the Fund's register of members immediately before migration to the ICSD settlement model, their ownership of shares will change from legal ownership to ownership of a beneficial entitlement through the Common Depository nominee, as explained above, however, they will continue to hold a beneficial interest in the same number of shares in the same Fund(s).
- Investors who are not currently registered as shareholders of a Fund but have a beneficial entitlement to shares in that Fund will continue to hold a beneficial interest in the same number of shares in the same Fund(s) as they currently hold under the current settlement model upon the adoption of the ICSD Settlement Model.
- For the Fund, the main difference between the current settlement model and the ICSD settlement model relates to the shareholders of record registered on the relevant registers of members. Under the current settlement 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 relevant Fund 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 Fund will be the Common Depository's 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 International Central Securities Depositories.

Timings

As announced on 20 March 2020 the Fund will convert at 00.01 on Monday 20 April 2020. On this date all settlement activity will be processed via the ICSD settlement model.

Impact of the conversion to the ICSD Settlement Model (the “Scheme”) on Holdings at Each Local Central Securities Depository

Current Local CSDs	Corporate Action Impact on the Effective Date
Euroclear UK & Ireland (CREST)	Domestic shares will be exchanged for international shares (with the same IE ISIN) on a 1:1 basis via EUI’s sub-account at Euroclear. Account holders in CREST will receive Crest Depository Interests in CREST.
Clearstream Bank Frankfurt	<p>Investors who held their shares in CBF in their ‘Cascade’ accounts as of 23.59 on Friday 17 April 2020, will receive international shares at Clearstream Banking S.A., Luxembourg on Monday 20 April 2020. These international shares will have the same IE ISIN.</p> <p>The conversion requires a one-for-one DE ISIN for IE ISIN exchange with the closure of the Global Bearer Certificate Program in Germany. DE ISINs will therefore be removed as part of the conversion.</p>
SIX Securities Services (“SIS”)	Domestic shares will be exchanged for international shares (with the same IE ISIN) on a 1:1 basis. Holdings in SIS will be in SIS’ sub-account at either EB or CBL (at SIS’s discretion).
Monte Titoli	Domestic shares will be exchanged for international shares (with the same IE ISIN) on a 1:1 basis. Holdings in Monte Titoli will be in Monte Titoli’s sub-account: EOC (Euroclear Bank Brussels).

FREQUENTLY ASKED QUESTIONS:

1. Will it be more expensive for a prime broker/clearer to settle in EB compared to a local CSD?

Based on current volumes, we expect clearers and prime brokers to have similar infrastructure costs with the ICSD settlement model, which is designed to achieve similar settlement fee per transaction costs than existing CSDs.

2. Is this corporate action event mandatory or voluntary?

This is a mandatory corporate action event.

3. What happens over the conversion weekend (Friday 17 April 2020 to Monday 20 April 2020)?

The ICSDs (Euroclear Bank S.A./N.V (“**EB**”) and Clearstream Banking S.A., Luxembourg (“**CBL**”)) and local/‘issuer’ CSDs (Euroclear UK & Ireland (“**EUI**”)/ (“**CREST**”) and Clearstream Bank Frankfurt (“**CBF**”)) will work to make the technical changes required to allow the ETFs to be admitted for clearing and settlement under the new ICSD model.

The existing ‘domestic’ share issuance through EUI and CBF will be cancelled and replaced by ‘international’ share issuance through the two ICSDs, namely EB and CBL.

Please note, within EUI, ‘international’ share issuance will be represented as Crest Depository Interests which relate to international shares held by Euroclear.

4. My investor client is trying to settle locally instead of settling on the Euroclear settled segment, do you foresee many clients trying to settle locally?

There will be a requirement to educate investors on the benefits of using the ICSD. There will still be scenarios where the settlement could occur locally. The structure has been designed to allow local investors to hold their ETF assets via eligible participants of the ICSD. Most CSDs have an account in EB or CBL.

The London Stock Exchange will not allow for local settlement. All trading participants, clearing members or their settlement agents will be required to have arrangements in place whereby their settlements will occur in a Euroclear Bank settlement account.

Upon receipt of the settlement details contained within the static data form that will be required prior to live, LCH. Clearnet Ltd will instruct both sides of the settlement via Power of Attorney in the relevant Euroclear Bank settlement account. The arrangements for domestic settlement via Euroclear UK & Ireland (EUI) will remain unchanged in the London Stock Exchange’s existing standard ETF segments.

5. Under the new structure, will a German trade still need cross - border settlement between Euroclear and Clearstream?

Please refer to above question:

It will not be a cross-border transaction per se. The trading member will have to deliver intraday from its account in Euroclear Bank to its account in CBF via the bridge Euroclear Bank Clearstream Luxembourg, which will be a standard instruction (a conversion will not be required

6. When are we expecting to receive dividends under the new structure?

The dividend timeline will be the same as it currently is. Dividends will continue to be declared and paid in accordance with the Prospectus.

7. Will there be any other changes to the Fund itself?

No. The Fund will remain domiciled in the same fashion as before, there will be no differences to the management and protections within the Fund for holders with the same safeguards. This is purely a settlement process change.

Under the ICSD Settlement Model, Authorised Participants will continue to generate and instruct trades directly with the Fund (as is the case under the current settlement model).

8. Will there be any exchange listing changes as part of this conversion?

No. There are no listing changes as part of this conversion and there will be no new listings initiated as part of this conversion activity.

Where a converting fund is listed on an exchange on Record Date, it will continue to be listed on the same exchange on Effective Date

9. If a broker only has access to a local CSD can I still trade/hold ETFs?

The structure has been designed to allow local investors to hold their ETF assets via eligible participants of ICSD. Most of European CSDs have an account in EB or CBL

However, every CSD will have to decide if they want to support the new instruments.

10. Which sub-funds of the Fund are converting:

All sub-funds of the Fund are converting, namely:

Sub-Fund	ISIN	DE ISIN
L&G Gold Mining UCITS ETF	IE00B3CNHG25	DE000A0Q8NC8
L&G Longer Dated All Commodities UCITS ETF	IE00B4WPHX27	DE000A1CXBV8
L&G Russell 2000 US Small Cap UCITS ETF	IE00B3CNHJ55	DE000A0Q8NE4
L&G FTSE 100® Leveraged (Daily 2x) UCITS ETF	IE00B4QNJJ23	-
L&G FTSE 100® Super Short Strategy (Daily 2x) UCITS ETF	IE00B4QNK008	-
L&G DAX® Daily 2x Long UCITS ETF	IE00B4QNH68	DE000A0X8994
L&G DAX® Daily 2x Short UCITS ETF	IE00B4QNHZ41	DE000A0X9AA8
L&G E Fund MSCI China A UCITS ETF	IE00BHBFD83	DE000A1XEFE1
L&G US Energy Infrastructure MLP UCITS ETF	IE00BHZKHS06	DE000A1XE2Q3
L&G ROBO Global® Robotics and Automation UCITS ETF	IE00BMW3QX54	DE000A12GJD2
L&G Cyber Security UCITS ETF	IE00BYPLS672	DE000A14ZT85
L&G Foxyberry US Large Cap Floored UCITS ETF	IE00BD87PT75	-

L&G Foxberry EU Large Cap Floored UCITS ETF	IE00BD87PQ45	-
L&G Foxberry Germany Large Cap Floored UCITS ETF	IE00BD87PN14	-
L&G Foxberry Emerging Markets Floored UCITS ETF	IE00BD87PP38	-
L&G All Commodities UCITS ETF	IE00BF0BCP69	DE000A2DQ7P3
L&G Longer Dated All Commodities ex-Agriculture and Livestock UCITS ETF	IE00BYQJ1388	DE000A2DQ7Q1
L&G Pharma Breakthrough UCITS ETF	IE00BF0H7608	DE000A2H9VJ3
L&G Ecommerce Logistics UCITS ETF	IE00BF0M6N54	DE000A2H9VH7
L&G Battery Value-Chain UCITS ETF	IE00BF0M2Z96	DE000A2H9VG9
L&G US Equity UCITS ETF	IE00BFXR5Q31	DE000A2PADR0
L&G UK Equity UCITS ETF	IE00BFXR5R48	-
L&G Global Equity UCITS ETF	IE00BFXR5S54	DE000A2PADP4
L&G Japan Equity UCITS ETF	IE00BFXR5T61	DE000A2PADQ2
L&G Europe ex UK Equity UCITS ETF	IE00BFXR5V83	DE000A2PADM1
L&G Asia Pacific ex Japan Equity UCITS ETF	IE00BFXR5W90	DE000A2PANR9
L&G Italy Equity UCITS ETF	IE00BFXR5Z22	-
L&G Germany Equity UCITS ETF	IE00BFXR5X08	-
L&G Switzerland Equity UCITS ETF	IE00BFXR5Y15	-
L&G Multi-Strategy Enhanced Commodities UCITS ETF	IE00BFXR6159	-
L&G Clean Water UCITS ETF	IE00BK5BC891	DE000A2PPAT0
L&G Artificial Intelligence UCITS ETF	IE00BK5BCD43	DE000A2PPAU8
L&G Healthcare Breakthrough UCITS ETF	IE00BK5BC677	DE000A2PPAV6
L&G Europe Equity (Responsible Exclusions) UCITS ETF	IE00BKLTRN76	DE000A2PWZC9
L&G Emerging Markets Equity UCITS ETF	IE00BFXR6043	-
L&G US Equity (Responsible Exclusions) UCITS ETF	IE00BKLWY790	DE000A2PWZD7

Further Enquiries

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