

T+1 solution for ETFs

Minimize business impact

Managing exchange-traded funds (ETFs) in a T+1 environment requires a controlled, automated solution built to accommodate the nuances of your ETF investments. Enhance your portfolio with our solution that supports the entire ETF life cycle, from point-of-order via State Street Fund Connect[®], to basket processing and primary market settlement through our ETF global platform.

ETFs are unique with shares offered in the primary market only by authorized participants (APs) in blocks of 10,000 to 100,000 shares at net asset value (NAV). It is offered in the secondary market by institutional and retail investors in share increments at the prevailing market price.

This unique operating model creates settlement misalignments within the ETF life cycle which lead to financing between the AP and the market makers. This has two consequences:

- Additional costs to support ETF liquidity/inventory management
- The balance sheet used on the financing would rather be used for higher margin loan products from the AP



Supports extended or reduced settlement cycles in addition to T+1



Enhancement to support earlier deposit of ETF shares for further delivery to the APs



Collateral enhancements to source prior day net (NAV) for any shortened settled orders



Continuous net settlement (CNS) changes to support T+1 and T+0

For maintaining the same liquid and efficient markets, a shortened settlement cycle (T+0) for the ETF primary market becomes imperative. Our offering also includes T+0 as an option, accelerated by supporting technology across any ETF type. In addition to our proprietary platforms, we collaborate with third parties such as National Securities Clearing Corporation to provide a full offering.

Key features:

Enhance your business growth with our T+1 solution for ETFs, backed up by proprietary platforms and specialized teams.

Fund Connect

- Pre-market order window to accommodate shortened settlement times
- Displays breakout of ETF share settlement from underlying basket settlement
- Supports extended or reduced settlement cycles in addition to T+1

InvestTA/Depository Trust and Clearing Corporation team

- Enhancement to support earlier deposit of ETF shares for further delivery to the APs

ETF Global Platform

- Collateral enhancements to source prior day net (NAV) for any shortened settled orders
- Continuous net settlement (CNS) changes to support T+1 and T+0
- Collateral enhancements allow for same-day returns as well as calculation changes to reduce the collateral required

Key benefits:

- Sources inventory in the primary market on a T+0 basis, both inside CNS (US equity ETF) and outside CNS (global equity and fixed income)
- Reduces collateral outlay to support reduced financing charges associated with trading ETFs of State Street ETF clients vs. competing custodians that do not support same day collateral returns
- Mitigates the increased collateral demands associated with T+1 settlement by implementing streamlined processes, enabling multiple daily calculations and efficient return of collateral overages
- Allows industry participants to efficiently manage inventory and their businesses
- Enables clients to manage ETFs with little to zero cash on hand, reducing/removing cash drag on performance

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To learn more about ETF Servicing in a T+1 environment, contact us at:
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