

THE HIGH COURT

RECORD NO. 2019 No. 318 COS

COMMERCIAL

IN THE MATTER OF VANGUARD FUNDS PUBLIC LIMITED COMPANY

AND

IN THE MATTER OF SECTIONS 449 TO 454 OF THE COMPANIES ACT 2014

AND

IN THE MATTER OF THE COMPANIES ACTS 2014 TO 2019

**NOTICE**

**NOTICE** is hereby given that on 10 October 2019 Vanguard Funds Public Limited Company (the "**Company**") applied to the High Court of Ireland for an order approving the proposed scheme of arrangement between the Company and the Scheme Shareholders (as defined therein) (the "**Scheme**").

**NOTICE** is hereby given that consequent upon the said application by the Company on 10 October 2019, the High Court of Ireland made an order sanctioning the Scheme. The High Court of Ireland further Ordered that the effective date of the Scheme shall be fixed as 23.59 on 8 November 2019.

Dated 14 October 2019

**Vanguard Funds plc**  
**Technical information for the Planned Conversion to the International Central Securities**  
**Depository (“ICSD”) Model**  
**24 October 2019**

**Executive Summary:**

On 24 July 2019, Vanguard had announced the proposal to centralise the settlement of trading of Vanguard Irish-domiciled ETFs in an International Central Securities Depository (“ICSD”) structure (the “ICSD Model”). Following the scheme meeting and extraordinary general meeting held on 20 August 2019 and the subsequent successful shareholder vote, the Scheme of Arrangement was formally approved by the Irish High Court on 10 October 2019. The transition of Vanguard UCITS ETF range to ICSD will commence 8 November 2019 and be effective 11 November 2019.

**Questions:**

**1. What is an ICSD?**

The International Central Securities Depository, commonly referred to as ICSD, refers collectively to Euroclear Bank (“Euroclear”) and Clearstream Banking Luxembourg (“CBL”), as the primary providers of the settlement model. In partnership with the wider ETF industry, and driven by the collective requirement to streamline a fragmented European post-trade market, Euroclear Bank developed a new issuance and post-trade solution for ETF instruments based upon proven structures used extensively for Eurobonds and Depository Receipts.

The new issuance solution, known as the international model, has the following benefits:

- simple inventory management - no need for complex realignment
- reduced settlement risk as there is no longer a need for burdensome cross-border processing, one of the main reasons for ETF settlement failure
- aims to improve trading liquidity
- reduced back office workload and settlement fails

**2. Why are we migrating to the ICSD?**

The transition to the ICSD model will help to resolve any ETF post trade issues arising from cross border settlement across Europe as the ETF will be structured as an international security and will settle centrally in the ICSDs rather than various national CSDs.

**3. What are the benefits to the ICSD Model?**

The key benefits of the ICSD Model are to remove post-trade inefficiencies, reduce risks and lower costs that cross-listed ETFs in Europe face today:

- a. Inefficiencies: As European ETFs continue to grow and are increasingly being used as international instruments, traded on multiple exchanges, and settling in multiple national CSDs, the broker-dealer community have encountered complexities in managing inventory, being forced to split ETF positions across CSDs to effect settlement. This settlement fragmentation also requires broker-dealers to realign ETF positions among their different CSD accounts. This can create delays in trade settlement.

- b. Risks: Broker-dealers currently experience high ETF settlement failure rates relative to other asset classes and in some cases this leads to severe buy-in penalties and claims for compensation.

These inefficiencies materially affect ETF trading costs. Fragmentation of ETF liquidity in Europe has resulted in especially wide spreads in ETF trading, which is a key concern for clients.

**4. What are the key conversion dates?**

As announced on 24 July 2019, 55 sub-funds of Vanguard Funds Plc will be converting to the ICSD settlement model at 23.59 on Friday 8 November 2019; the Effective Date for the Scheme. From Monday 11 November 2019 all holdings will be reflected under the ICSD issuance structure and all settlement activity will be processed via the ICSD model.

**5. Is this corporate action event mandatory or voluntary?**

This is a mandatory corporate action event.

**6. What happens over the conversion weekend (Friday 8 November 2019 to Monday 11 November 2019)?**

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 (“CDIs”) which relate to international shares held by Euroclear.

**7. What happens to my holdings at each local CSD?**

The table below shows the anticipated effects of the corporate action where there are direct holdings at local CSDs. Note: it is possible that some CSDs hold shares indirectly through their accounts at other CSDs.

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 (“CDIs”) in CREST.

Clearstream Bank Frankfurt	Investors who held their shares in CBF in their 'Cascade' accounts as of 23.59 on Friday 8 November 2019, will receive international shares at Clearstream Banking S.A., Luxembourg on Monday 11 November 2019. These international shares will have the same IE ISIN.
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 Brussel).

**8. Are there any changes to other securities identifiers e.g. ISINs, WKNs, SEDOLS's?**

No. There will be no changes in respect of ISINs, WKN, SEDOL or any other identifiers relating to this conversion.

**9. 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

**10. Are there tax consequences of the Scheme for investors in registered markets?**

Please refer to Appendix A of the Shareholder Circular "Scheme of Arrangement Cover Letter" for more information in regard to the tax consequences of the conversion for registered markets.

**11. Will the domicile of the affected funds change after the conversion?**

No. The domicile of these funds will not change and they will remain as Irish-domiciled funds.

**12. What is the policy for Distributions under the ICSD Model (e.g. Dividend Payments)?**

After the conversion, all future cash payments made by the funds in Vanguard Funds plc (e.g. dividend payments as applicable) will be made in the base currency of the relevant fund as a default, although investors who wish to receive payments in a different currency may arrange this with the relevant ICSD or through their custodian, broker or investor CSD where the option is available.

This differs from the existing local central securities depository model in which cash payments are made by EUI / CREST in base currency as a default, except where a specific instruction is placed with the registrar or the home CSD. Please contact your custodian, broker and/or investor CSD for details of how any Vanguard Funds plc cash payment would be processed.

### 13. Which sub-funds are converting?

Sub-Fund Name	ISIN Code
Vanguard DAX UCITS ETF (EUR) Distributing	IE00BG143G97
Vanguard EUR Corporate Bond UCITS ETF (EUR) Accumulating	IE00BGYWT403
Vanguard EUR Corporate Bond UCITS ETF (EUR) Distributing	IE00BZ163G84
Vanguard EUR Eurozone Government Bond UCITS ETF (EUR) Accumulating	IE00BH04GL39
Vanguard EUR Eurozone Government Bond UCITS ETF (EUR) Distributing	IE00BZ163H91
Vanguard Euro STOXX 50 UCITS ETF (EUR) Distributing	IE00BF4R5F15
Vanguard FTSE 100 UCITS ETF (GBP) Distributing	IE00B810Q511
Vanguard FTSE 100 UCITS ETF (GBP) Accumulating	IE00BFMXYP42
Vanguard FTSE 250 UCITS ETF (GBP) Distributing	IE00BKX55Q28
Vanguard FTSE 250 UCITS ETF (GBP) Accumulating	IE00BFMXVQ44
Vanguard FTSE All-World High Dividend Yield UCITS ETF (USD) Distributing	IE00B8GKDB10
Vanguard FTSE All-World High Dividend Yield UCITS ETF (USD) Accumulating	IE00BK5BR626
Vanguard FTSE All-World UCITS ETF (USD) Distributing	IE00B3RBWM25
Vanguard FTSE All-World UCITS ETF (USD) Accumulating	IE00BK5BQT80
Vanguard FTSE Developed Asia Pacific ex Japan UCITS ETF (USD) Distributing	IE00B9F5YL18
Vanguard FTSE Developed Asia Pacific ex Japan UCITS ETF (USD) Accumulating	IE00BK5BQZ41
Vanguard FTSE Developed Europe ex UK UCITS ETF (EUR) Distributing	IE00BKX55S42
Vanguard FTSE Developed Europe ex UK UCITS ETF (EUR) Accumulating	IE00BK5BQY34
Vanguard FTSE Developed Europe UCITS ETF (EUR) Distributing	IE00B945VV12
Vanguard FTSE Developed Europe UCITS ETF (EUR) Accumulating	IE00BK5BQX27
Vanguard FTSE Developed World UCITS ETF (USD) Distributing	IE00BKX55T58
Vanguard FTSE Developed World UCITS ETF (USD) Accumulating	IE00BK5BQV03
Vanguard FTSE Emerging Markets UCITS ETF (USD) Distributing	IE00B3VVMM84
Vanguard FTSE Emerging Markets UCITS ETF (USD) Accumulating	IE00BK5BR733
Vanguard FTSE Japan UCITS ETF (USD) Distributing	IE00B95PGT31
Vanguard FTSE Japan UCITS ETF (USD) Accumulating	IE00BFMXYY26
Vanguard FTSE Japan UCITS ETF (USD) Accumulating Hedged	IE00BFMXYY33

Vanguard FTSE North America UCITS ETF (USD) Distributing	IE00BKX55R35
Vanguard FTSE North America UCITS ETF (USD) Accumulating	IE00BK5BQW10
Vanguard Global Liquidity Factor UCITS ETF (USD) Accumulating	IE00BYR0D71
Vanguard Global Minimum Volatility UCITS ETF USD Hedged Accumulating	IE00BYR0C64
Vanguard Global Momentum Factor UCITS ETF (USD) Accumulating	IE00BYR0935
Vanguard Global Value Factor UCITS ETF (USD) Accumulating	IE00BYR0B57
Vanguard S&P 500 UCITS ETF (USD) Distributing	IE00B3XXRP09
Vanguard S&P 500 UCITS ETF (USD) Accumulating	IE00BFMXXD54
Vanguard S&P 500 UCITS ETF (USD) Accumulating Hedged	IE00BFMXXL39
Vanguard UK Gilt UCITS ETF (GBP) Accumulating	IE00BH04GW44
Vanguard UK Gilt UCITS ETF (GBP) Distributing	IE00B42WWV65
Vanguard USD Corporate 1-3 Year Bond UCITS ETF (USD) Accumulating	IE00BGYWSV06
Vanguard USD Corporate 1-3 Year Bond UCITS ETF (USD) Distributing	IE00BDD48R20
Vanguard USD Corporate 1-3 Year Bond UCITS ETF (USD) Distributing Hedged	IE00BGYWSX20
Vanguard USD Corporate Bond UCITS ETF (USD) Accumulating	IE00BGYWFK87
Vanguard USD Corporate Bond UCITS ETF (USD) Distributing	IE00BZ163K21
Vanguard USD Corporate Bond UCITS ETF (USD) Distributing Hedged	IE00BGYWFM02
Vanguard USD Emerging Markets Government Bond UCITS ETF (USD) Accumulating	IE00BGYWCB81
Vanguard USD Emerging Markets Government Bond UCITS ETF (USD) Distributing	IE00BZ163L38
Vanguard USD Emerging Markets Government Bond UCITS ETF (USD) Distributing Hedged	IE00BGYWCD06
Vanguard USD Treasury Bond UCITS ETF (USD) Accumulating	IE00BGYWFS63
Vanguard USD Treasury Bond UCITS ETF (USD) Distributing	IE00BZ163M45
Vanguard Global Aggregate Bond UCITS ETF GBP Hedged Accumulating	IE00BG47K971
Vanguard Global Aggregate Bond UCITS ETF GBP Hedged Distributing	IE00BG47KG48
Vanguard Global Aggregate Bond UCITS ETF EUR Hedged Distributing	IE00BG47KB92
Vanguard Global Aggregate Bond UCITS ETF EUR Hedged Accumulating	IE00BG47KH54
Vanguard Global Aggregate Bond UCITS ETF USD Hedged Accumulating	IE00BG47KJ78
Vanguard Global Aggregate Bond UCITS ETF USD Hedged Distributing	IE00BG47KC00

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**The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.**

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The fund(s) may invest in financial derivative instruments that could increase or reduce exposure to underlying assets and result in greater fluctuations of the fund's Net Asset Value. Some derivatives give rise to increased potential for loss where the fund's counterparty defaults in meeting its payment obligations.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

ETF shares can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid- offer spread which should be considered fully before investing.

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