

SparkChange Physical Carbon EUA ETC (CO₂)

FAQs

What are EU Carbon Emission Allowances (“EUAs”) ?

EUAs are allowances that permit the holder to emit a specific volume of carbon dioxide equivalent or other greenhouse gas in accordance with the rules of the relevant Trading Scheme ("Allowances").

What is SparkChange Physical Carbon EUA ETCs (CO₂)?

SparkChange Physical Carbon EUA ETC ("SparkChange CO₂") is designed to offer investors a means of accessing the physical properties of European Union carbon Allowances ("EUA"). CO₂ is backed by physical allowances and thus tracks the price of EUAs (excluding fees).

What is an ETC?

ETCs are an undated zero coupon debt securities, which are designed to track the return of a commodity, or in the case of CO₂, physical carbon emission allowances (excluding fees). The Carbon Securities are issued by HANetf ETC Securities plc, in the form of exchange-traded securities

How do the Carbon Securities give investors their exposure to physical carbon emission allowances?

The Carbon Securities are backed by the Backing Note which is itself backed by the relevant physical Allowances. The physical Allowances are not held directly by the Issuer but are instead held by the Backing Issuer in its Holding Account.

For more details, please check the following link to our product structure factsheet.

Who is the Issuer?

HANetf ETC Securities plc is a special purpose company incorporated in Ireland. The core business of the Issuer is to issue and redeem securities linked to different assets and to enable those securities to be traded on stock exchanges. The Issuer also has on issue a class of physical backed gold ETCs, which are a distinct and separate class of ETC to CO₂

What is the Backing Note and Who is the Backing Issuer ?

The Backing Note is a specific undated security, issued by the Backing Issuer to the Issuer, which gives the Issuer an entitlement to the Allowances.

The Backing Issuer supports the Programme by holding the Underlying Allowances that ultimately back the Carbon Securities in its Holding Account and ensuring that the Backing Note it issues to the Issuer is kept in line with its physical holdings of Allowances.

Where and how are the Allowances held?

The Allowances are held by the Backing Issuer, in a Holding Account exclusively used for this Programme, as the underlying physical asset of the Backing Note (and therefore the Carbon Securities). A Holding Account is a form of digital record of EUA balances, maintained in the EU registry under the Registries Regulation. It is used to record the holding and transfer of Allowances in accordance with the EU Emissions Trading Scheme. This is the only method by which physical Allowances can be held

For more details, please check our product structure factsheet.

Is CO2 eligible for retail investors?

Yes. CO2 is traded on exchange and eligible for any retail investor.

Is CO2 eligible to ISA and SIPP accounts?

Yes. CO2 is an exchange traded commodity (ETC) listed on a recognised stock exchange. As such, it qualifies for investment through an ISA or a SIPP.

Is the product an eligible investment for a UCITS funds?

Yes. The securities are debt securities traded on a recognised stock exchange.

For more details, please check our UCITS FAQ.

What is the legal nature of ETCs?

The securities are issued as debt securities by a special purpose vehicle and are not units in an authorised collective investment scheme. This structure is commonly referred to as an exchange traded commodity (ETC) and trades like an equity.

What fees are applicable to my investment in CO2?

The cost of holding CO2 is fixed at 0.89% per annum which is deducted daily from the value of each CO2. The fee is deducted by reducing the amount of carbon entitlement backing each security (the "Carbon Entitlement Per Security") by a small amount every day.

Fees may apply to the redemption of the securities redeemed directly with the Issuer, as stated in the final terms. Please note that if you choose to redeem CO2 in exchange for EUA, specific fees may apply as further explained below. Most (if not all) investors will buy and sell their CO2 on the stock exchange and therefore transaction fees will be charged by your broker.

How do I invest in the product?

Most investors will invest on a stock exchange via their broker, like they would trade any listed share.

Is there any credit risk on the Issuer?

There is virtually no credit risk. HANetf ETC Securities plc (through the Backing Issuer) holds EUAs in an amount of no less than the total Carbon Entitlement (Carbon Entitlement Per Security x Number of Securities Outstanding) in a separate holding account in the registry. CO2 is backed 100% by physical EUAs in a registry account. These EUAs are held only for CO2 securityholders.

The Issuer also has on issue a class of physical backed gold ETCs, which are a distinct and separate class of ETC to CO2.

Is there any credit risk on HANetf Limited?

HANetf Limited acts solely as manager and distributor of CO2. If it were to cease activity or become insolvent, it could be replaced. Thus, there is no credit risk on HANetf Limited.

Is there any credit risk on the Backing Issuer's Holding Account?

There is virtually no credit risk. The Backing Issuer's Holding Account is used solely for the SparkChange Physical Carbon EUA ETC. It is maintained in the Union Registry with the National Administrator of the Grand Duchy of Luxembourg.

Is there any credit risk on the Backing Issuer?

There is virtually no credit risk.

The Backing Issuer supports the Programme by holding the Underlying Allowances that ultimately back the Carbon Securities in its Holding Account, and ensuring that the Backing Note it issues to the Issuer is kept in line with its physical holdings of Allowances.

The only permitted activity of Backing Issuer is to hold Allowances in the Backing Issuer's Holding Account and issue the Backing Notes to the Issuer.

Is my investment secure?

Each ETC issued is backed 100% by physical EUAs held in the the Backing Issuer's Holding Account.

How do I know that enough EUAs are backing all ETCs at all times?

When the Issuer receives a subscription to issue more ETCs, the Issuer does not issue the new ETCs until the Backing Issuer has confirmed that it has received the relevant amount of EUAs. In the case of redemptions, the Backing Issuer will not return any EUAs to an Authorised Participant until the Issuer has confirmed to the Backing Issuer that the Authorised Participant has returned the ETCs back for cancellation first.

Who is the trustee? What roles does it perform?

The Trustee is The Law Debenture Trust Corporation p.l.c., an independent entity whose role is to represent the interests of the securityholders. The trustee holds rights to the assets on their behalf. The trustee also acts as security trustee and, as such would be in charge of enforcing the security interest over the EUAs in the unlikely case of an Issuer bankruptcy.

What does limited recourse vehicle mean?

The Securityholders only have recourse to the secured property of SparkChange Physical Carbon EUA ETCs Securities (the "Class"). The ETC is ultimately backed 100% by physical EUAs and bankruptcy remote. In the event that the assets of a Class were not sufficient to cover all outstanding claims, there would be no other assets to cover the shortfall, and any outstanding claims would be extinguished.

Another feature is that the assets backing the Class are entirely segregated. This means that in the case other classes were to be listed in future, then Securityholders in one class could only claim against the relevant class, making each class entirely separate from other classes.

Can I redeem my CO2 in exchange for physical EUAs?

Aside from selling your CO2 securities for cash on a stock exchange, securityholders may redeem their securities directly from the Issuer for physical EUAs. Redemption fees may be applicable. It should be noted that selling your CO2 on the stock exchange will be faster and probably cheaper.

For more details, please check the following link to our Physical Redemption factsheet.

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Communications issued in the European Economic Area (“EEA”) relating to ETCs

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Information for Investors of the European Economic Area with regards to unregistered ETC Products:

In relation to each Member State of the EEA (each a “Relevant State”), the relevant Issuer has represented and agreed that it has not made and will not make an offer of the Products which are the subject of the offering contemplated by the relevant prospectus to the public in that Relevant State other than at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- in any other circumstances falling within Articles 1(3), 1(4) and/or 3(2)(b) of the Prospectus Regulation (as may be locally implemented), provided that no such offer of Products shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of the provision above, the expression an “offer of Products to the public” in relation to any Products in any Relevant State means the communication in any form and by means of sufficient information on the terms of the offer and the Products to be offered so as to enable an investor to decide to purchase or subscribe for the Products, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, and includes any relevant implementing measure in the Relevant State.

The Issuers:

1. HANetf ICAV, an open-ended Irish collective asset management vehicle issuing under the terms in the Prospectus and relevant Supplement for the ETF approved by the Central Bank of Ireland (“CBI”) (“ETF Prospectus”) is the issuer of the ETFs. Investors should read the current version of the ETF Prospectus before investing and should refer to the section of the ETF Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETFs. Any decision to invest should be based on the information contained in the ETF Prospectus.
2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing:
 - i) the precious metals ETCs under the terms in the Base Prospectus approved by both the Central Bank of Ireland (“CBI”), the UK Financial Conduct Authority (“FCA”) and the final terms of the relevant precious metals series (“ETC Securities Documentation”); and
 - ii) the carbon securities ETCs under the terms in the Base Prospectus approved by the FCA and the final terms of the relevant carbon allowance (“FCA ETC Securities Documentation”).

Investors should read the latest versions of the ETC Securities Documentation and the FCA ETC Securities Documentation before investing and should refer to the section of the Base Prospectuses entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the ETC Securities Documentation and the FCA ETC Securities Documentation.

3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) and the final terms (“Cryptocurrency Prospectus”) is the issuer of the ETCM ETCs. Investors should read the latest version of the Cryptocurrency Prospectus before investing and should refer to the section of the Cryptocurrency Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETCs contained in the Cryptocurrency Prospectus. Any decision to invest should be based on the information contained in the Cryptocurrency Prospectus.

The ETF Prospectus, ETC Securities Documentation, FCA ETC Securities Documentation and Cryptocurrency Prospectus can all be downloaded from www.hanetf.com.

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