

# WHAT ARE EXCHANGE-TRADED FUNDS?

**Joe Keenan, Head of Global ETF Services, BNY Mellon Asset Servicing  
September 2014**

For those of you that haven't been exposed to ETFs, it really is a unique and growing segment in the market. ETFs marry the best features of mutual funds and listed stocks and bonds. What is really unique about an ETF, and they have been among the fastest growing segments in the industry and we are one of the largest service providers, is their ability to provide investors access to asset classes and types of investment that heretofore they had not had available. We helped to launch the first ETFs in Europe. We were the ETF service provider for the second ETF launch in the United States and we continue to support that product today.

The other thing that we're really excited about is, is the continuing, evolving nature of the ETF marketplace. The ETF business is morphing into clones of the traditional mutual fund industry, and there are many firms working on active management, as well, which we're very excited about. We stand prepared to support those innovations when they get approved by the regulator, so I think we will see many more ETFs and they will start to look more and more like the mutual funds that you might have traditionally bought in the past.

The really neat thing about ETFs is, is that we really draw in across all of investment services a range of capabilities. At the core is the ETF Services Business, we help our clients develop products from new and novel ideas, whether they be indices or actively managed products, but we also can support them across every phase of the investment lifecycle. For instance, our colleagues in Capital Markets stand ready to support our clients when they want to rebalance portfolios, so buy and sell the stocks or bonds in the portfolio, but also more importantly, they act as what are known as authorized participants or institutions that are eligible to create ETF shares and we do that on behalf of a number of clients. On the other end of the investment lifecycle, we actually help raise the visibility of our client's products through purging, through facilitating distribution as well as raising visibility much more broadly with our clients who are investors.

We really lever off of our capability throughout the globe, we support products in Asia, throughout Europe and in the Middle East and Africa, as well as here and of course in the United States. We provide real time information to our clients to allow them to make decisions and we actually stand ready to support products even in markets where there could be a dislocation. For instance, recently, when the capital markets seized up in Egypt, we support products that today trade actively in Egypt and we were there ready with our clients to ensure that the



**BNY MELLON**

products traded effectively, and interestingly, that particular product provided liquidity into the Egyptian marketplace and really acted as a proxy for when the market opened up again, so we need to be prepared 24/7 to support our clients as the world evolves and the markets change.

Our clients benefit in a number of ways. First of all, our clients and the ETF Services benefit because we help them translate their unique concepts into ideas into products that are listed and really help drive the innovation in the ETF market. Their clients benefit because they have access now to security types as well as asset classes that they may not have had access to before, most recently, we helped a client launch a China A-share product, which allows US investors access to retail investments in China.

The future is very bright for the ETF business. We're in active dialogue with a wide range of clients who want to enter the space or launch additional products. We fully expect that the growth that we have enjoyed for the last several years will continue, not only here in the United States but globally, and we will continue to invest in the product and our services to meet those challenges as the business evolves and hopefully continues to expand.

**Investment products (other than deposit products) referenced in this presentation are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by BNY Mellon or any bank or non-bank subsidiary thereof, and are subject to investment risk, including the loss of principal amount invested.**

BNY Mellon and its subsidiaries and affiliates may lend money to, and provide other services and products to, issuers and are compensated therefor.

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates, and joint ventures of The Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction, and may include The Bank of New York Mellon, One Wall Street, New York, New York 10286, a banking corporation organized and existing pursuant to the laws of the State of New York and operating in England through its branch at One Canada Square, London E14 5AL, England. Registered in England and Wales with FC005522 and BR000818. Supervised and regulated by the New York State Department of Financial Services and the Federal Reserve. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority of the United Kingdom (and any successor regulatory entity). Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Not all products and services are offered at all locations.

Material contained within this presentation is intended for information purposes only. It is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter, and is not to be used as such. To the extent this presentation may be deemed to be a financial promotion under non-US jurisdictions, they are provided for use by professional investors only and not for onward distribution to, or to be relied upon by, retail investors.

No statement or expression is an offer or solicitation to buy or sell any products or services mentioned. This presentation is not intended for distribution to, or use by, any person or entity in any jurisdiction or country in which such distribution or use would be contrary to local law or regulation. Similarly, this presentation may not be distributed or used for the purpose of offers or solicitations in any jurisdiction or in any circumstances in which

such offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements. The contents may not be comprehensive or up-to-date, and BNY Mellon will not be responsible for updating any information contained within this presentation.

BNY Mellon assumes no liability whatsoever (direct or consequential or any other form of liability) for any action taken in reliance on the information contained in this presentation. Any unauthorized use of material contained in this presentation is at the user's own risk.

The views expressed herein are those of the speakers only and not those of BNY Mellon or any of its subsidiaries or affiliates.

This program is not to be reproduced in whole or in part without the authorization of BNY Mellon.

© 2014 The Bank of New York Mellon Corporation