

ETF INSIGHTS WITH DOUG YONES OF THE NEW YORK STOCK EXCHANGE

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Jeff McCarthy (JM): I'm here with Doug Yones at the Inside ETF Conference. Doug, the Head of Listing at New York Stock Exchange for ETFs. Doug, welcome. Thanks for joining me today.

Douglas Yones (DY): Thank you very much for having me.

JM: Doug, let's talk about market structure. The New York Stock Exchange, the largest listing and trading venue globally for ETFs. You're at the epicenter of a lot of conversations in the industry, helping to lead standardization and just changes in market structure. What is top of mind in New York Stock Exchange and with yourself when it comes to ETF's market structure?

DY: A lot of times people will think about market structure and they... you know, they'll say oh, well, do I need to worry about it, but we're ultimately the E in ETF, right? We're the exchange, and if you think about it from a bid-ask spread, or a total cost of investing, the tighter we can make liquidity, the better bid-ask spreads are, the lower the total cost of investment for end investors. So, we think heavily about that, and what we do is we build a lot of market programs to drive liquidity on the exchange. As you mentioned, we are the largest exchange globally for trading ETFs and we take that very seriously, so we spend a lot of time and energy coming up with unique programs to put as much liquidity on exchange, so that end investors, when they're thinking about ETFs, they don't have to be worried about trading. They can just know that when they place their order for their ETF, they're going to get great quality of execution.

JM: Fixed income ETFs. Fixed income had a great year in 2019, surpassing one trillion in assets under management. Tell me, what are you seeing in fixed income? What are you focusing on for fixed income markets?

DY: Yes, it's really interesting, right? We look at ETF flows for last year. It was really dramatic in that up until almost the end of November, fixed income, bond ETFs were actually outpacing stock ETFs. Meanwhile, the stock market was rallying, right? We saw incredible returns. So, it really showed, I think to the whole world of asset management, and then investors, that people want ETF exposure for fixed income, and so what we're seeing at the exchange level is greater and greater product development. People are realizing there's a lot of green space in that area,

and then we at the exchange level, ICE Data Services, we offer a series of fixed income licenses, fixed income indices, and so we're seeing a lot of product innovation, product development, everything from the ESG space in fixed income to factors in fixed income, and I think when we watch 2020, that will be one of the biggest spaces when it comes to product innovation, and really growth of assets under management. It's a fast-booming space, but a lot of opportunities for new asset managers.

JM: Fixed income ETFs, staying on that topic. Tell us a little about the innovation that you're driving at the New York Stock Exchange around fixed income ETFs, combining electronic trading and making them eligible to be traded on the floor for the first time.

DY: Yes, we're working on two different really unique projects. The first, as you mentioned, the idea of taking an ETF and instead of trading it in the electronic markets, putting it live on the floor of the New York Stock Exchange with a human. We think a lot about the way markets work today. The great thing about the floor, as much as it's evolved and changed over all the years, one of the things that hasn't changed is having a person there to combine the best of both worlds – the fast paced electronic market with a human that can make good decisions – and so for those of us who've been around a while, we recognize that having an ETF on the floor can really drive market structure in a way that we haven't seen before. Tighter spreads, greater liquidity, again lowering the cost of investments, so a perfect spot when we think about bond ETFs, where should they be. The other place we're working on innovation is with something called the ICE ETF Hub, and this is where we're working on a whole infrastructure to allow for a smooth, seamless creation/redemption process where with all these new issuers having the ability to do custom baskets, it's a single sign-on, a single portal. Issuers can do it to do customs. APs don't have to sign onto a lot of different places. They can come to one location. So, we're really, again, focused on how do we drive the infrastructure, how do we make sure the plumbing is perfect, so that when asset managers build new products, or investors like you and me come to the market, we have a nice smooth experience. We do our job best when people don't realize that we're even behind the scenes.

JM: Great, Doug. So, a lot going on. We look forward to working with you, and the industry, and continued growth in 2020.

DY: Thank you very much. We're excited to be here.

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