

MEMO# 34230

July 20, 2022

ICI Global Letter on IOSCO ETF Consultation Report on Good Practices (pdf)

[34230]

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TO: ICI Members
ICI Global Members
ETF (Exchange-Traded Funds) Committee
Global Regulated Funds Committee SUBJECTS: Exchange-Traded Funds (ETFs)
International/Global RE: ICI Global Letter on IOSCO ETF Consultation Report on Good Practices

On July 8, ICI Global submitted feedback to the International Organization of Securities Commissions (IOSCO) on its Consultation Report proposing a set of good practices regarding the operation of ETFs and trading of ETF shares. [\[1\]](#) These good practices are targeted at IOSCO members, responsible entities, and/or trading venues and are intended to supplement IOSCO's Final Report on Principles for the Regulation of Exchange Traded Funds (2013 ETF Principles) published in 2013.

The Consultation Report provides an overview of ETFs, including jurisdictional differences in regulatory framework and market structure, and also discusses 11 proposed good practices intended to supplement the 2013 ETF Principles. In our response we expressed support for the Consultation Report's conclusions that (i) the 2013 ETF Principles remain relevant and appropriate, as no major gaps of the principles have been identified and no major regulatory issues were reported by IOSCO members or industry survey respondents; and (ii) the ETF structure has generally proved resilient during historical stress events.

We explained that, in 2020, ICI published a paper on the COVID-19 market crisis which found that, despite unprecedented market volatility in March 2020, the structures for creating, redeeming, and trading shares of US ETFs—including ETF issuers, authorized participants (APs), and ETF liquidity providers—proved their resilience and that ICI Global also published a paper which contains a summary of the experiences of European ETFs during March 2020.

We concluded that, in both the United States and Europe, ETFs shares traded smoothly and efficiently in the secondary market. ETFs also acted as a source of stability and an

important price discovery tool for investors. This was particularly true in the fixed-income market, where market participants faced challenges in finding liquidity and establishing pricing for individual bonds.

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endnotes

[1] The Consultation Report is available at
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD701.pdf>.

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