

July 8, 2022

Damien Shanahan and Thomas Willman  
International Organization of Securities Commissions (IOSCO)  
Calle Oquendo 12  
28006 Madrid  
Spain  
Submitted electronically to: [IOSCO-ETF-consultation@iosco.org](mailto:IOSCO-ETF-consultation@iosco.org)

**Re: Public Comment on Exchange Traded Funds—Good Practices for Consideration**

Dear Messrs. Shanahan and Willman:

[ICI Global](#)<sup>1</sup> appreciates the opportunity to provide feedback to IOSCO on its Consultation Report proposing a set of good practices regarding the operation of ETFs and trading of ETF shares for IOSCO members, responsible entities and/or trading venues to consider, and 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. We agree with 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.

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.<sup>2</sup> Our paper drew this conclusion from extensive data, in-depth analysis of ETF trading and flows, and a survey of ICI members to assess the activity of APs during the height of the March 2020 market turmoil.

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<sup>1</sup> [ICI Global](#) carries out the international work of the [Investment Company Institute \(ICI\)](#), the leading association representing regulated investment funds. With total assets of \$38.9 trillion, ICI's membership includes mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in Europe, Asia and other jurisdictions. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. ICI Global has offices in Brussels, London, Hong Kong, and Washington, DC.

<sup>2</sup> See Report of the COVID-19 Market Impact Working Group, [Experiences of US Exchange-Traded Funds During the COVID-19 Crisis](#) (October 2020).

ICI Global also published a paper which contains a summary of the experiences of European ETFs during March 2020.<sup>3</sup> In short, secondary market trading activity for ETFs soared while their bid-ask spreads generally remained below that of their underlying securities. In the primary market European ETFs experienced only moderate net outflows.

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.

We hope these ICI studies are helpful to IOSCO as it considers whether to supplement the 2013 ETF Principles with the proposed good practices.

ICI Global and its members appreciate the opportunity to comment on IOSCO's Consultation Report. We are committed to working with IOSCO and other policymakers to further strengthen ETFs' resilience to severe market stress. If you have any questions, feel free to contact Michael N. Pedroni at +1-202-876-5352 or [michael.pedroni@ici.org](mailto:michael.pedroni@ici.org) or Rochelle Antoniewicz at +1-202-326-5910 or [shelly@ici.org](mailto:shelly@ici.org).

Sincerely,

/s/ Michael N. Pedroni

Michael N. Pedroni  
Chief of ICI Global

/s/ Rochelle Antoniewicz

Rochelle Antoniewicz  
Senior Director, Industry and Financial Analysis

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<sup>3</sup> See Report of the COVID-19 Market Impact Working Group, [Experiences of European Markets, UCITS, and European ETFs During the COVID-19 Crisis](#) (December 2020) at 34-37.