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Being distinctive
Exchange Traded Funds (ETFs)

Developments in Exchange Traded Funds (ETFs) – June 2011

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Contents

1. Introduction

In recent years, Exchange Traded Funds (ETFs) have enjoyed exceptional growth with an abundance of new funds and firms breaking into the marketplace. ETFs originated in the United States in 1993 with the launch of the first ever ETF. Europe followed with the first European ETF launched 7 years later. Since then, ETFs have become a global phenomenon. At the end of April 2011, the global ETF industry had 2,670 ETFs with 6,021 listings and assets of US$1.5 trillion, from 140 providers on 48 exchanges around the world, according to BlackRock report: ETF Landscape, April 2011.

There are a number of different Exchange Traded Products. ETFs are the most popular. Exchange Traded Funds (ETFs) are funds consisting of a combination of securities or derivatives that track a market, sector or industry index.

The majority of European and Asian ETFs are set up under the UCITS regime. Distribution is paramount to the success of the UCITS product. UCITS funds are distributed to a large number of countries across Europe, the Americas, Asia and the Pacific, the Middle East and Africa. In the US, ETFs are typically structured as open-ended registered investment companies, although there have been a number of products set up over the past year as either grantor trusts or master limited partnerships.

This brochure provides an introduction to the world of Exchange Traded Funds. Our Europe, Middle East and Africa (EMEA) ETF practice, led by Andrew O'Callaghan, is the leading provider of audit, tax and advisory services to the ETF industry in the region. We have prepared this document to support the ongoing education of the market in relation to this very important segment of the asset management industry. A list of our leading ETF experts across EMEA is provided in Section 11. Please contact anyone from this team should you have further queries on ETFs.

2. Back to basics

An ETF is an investment vehicle that is structured to enable investors to track a particular index through a single investment vehicle that can be purchased or sold on a stock exchange. An ETF offers characteristics of an investment vehicle fund, such as low costs and broad diversification but also characteristics more commonly associated with equities, such as access to real time pricing and trading. ETFs generally function as index tracking funds, i.e. they provide investors with an exposure to the securities in an index, while the listing on an exchange means the ETF shares can be bought and sold by investors on an intra-day basis and using real-time pricing, much like an equity security.

The goal of passive investment products like ETFs is to replicate the returns of a benchmark index as closely as possible. This can be done physically or synthetically.

- Physical replication ETFs are the more intuitive of the two main types of ETF. A 'full replication' physical ETF replicates the performance of an underlying index by simply investing in all the securities covered by the index.

- Synthetic or swap-based ETFs use a more complex structure to reduce 'tracking error', although they come with their own costs. Instead of holding the securities in the underlying index, a swap-based ETF holds a basket of securities as collateral to provide some safety for shareholders, and exchanges the performance of these securities with an investment bank counterparty for the performance of the reference index.

Product Features

- Investment product representing a basket of securities that track a specified index.

- An ETF acts like a fund and trades like a share. Shares in an ETF are traded throughout the day on exchanges with real time pricing.

- ETFs are available to both retail and institutional investors.

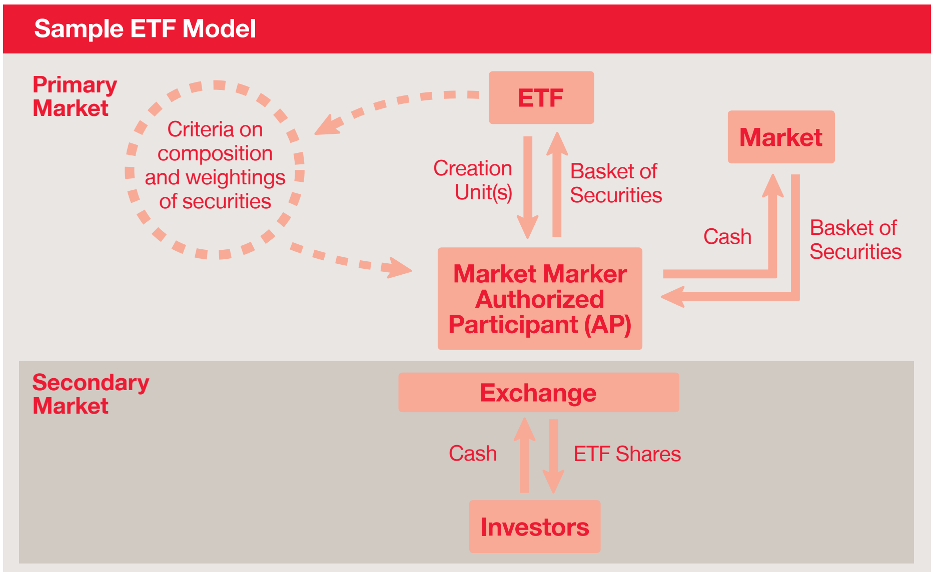
- In Europe, an ETF can be set up as a UCITS or non-UCITS fund – most ETFs are structured as UCITS to avail of the UCITS cross-border 'passport'.

- ETFs can be listed on multiple stock exchanges across the world.

Why Exchange Traded Funds?

Investors value ETFs especially for their high product transparency, flexibility as a portfolio management instrument, and low total expense ratios. ETFs can be purchased on the stock market just like shares, and they can be traded daily during trading hours. Investors therefore benefit from quick access to the capital market and can even place limit or stop-loss orders for ETFs.

The main benefits of ETFs tend to be high transparency, low costs, liquidity and well regulated products. They are also tax efficient and generally require no minimum investment on the secondary market.



Source: Irish Funds Industry Association (IFIA)

Transparency - ETFs publish their holdings daily, enabling investors to know what they own and to make informed investment decisions. Additionally, ETFs provide investors with the ability to trade with the market at known prices.

Low Costs - ETFs typically have lower Total Expense Ratios (TERs) than other investment products. This is because ETFs are index-based and generally experience less portfolio turnover and trading costs compared to other products. Additionally, because redemptions and creations of ETF shares occur in kind, there are lower operating costs associated with an ETF.

Liquidity - Like stocks, many ETFs are extremely liquid. They trade daily on major stock exchanges and investors can place stop or limit orders and even buy on margin and sell short at any time during the trading day at the current market price.

Investor Protection - ETFs are regulated by the exchanges on which they are listed and the home country Regulator. As majority of ETFs in Europe are structured as UCITS, they are very highly regulated products with considerable focus on investor standards and high standards of corporate governance.

3. Overview of the ETF industry

Interest in Exchange Traded Funds (ETFs) has accelerated in the last number of years and despite the financial crisis the industry has continued to thrive. This is largely due to their liquidity and market flexibility.

According to a recent BlackRock report, 'ETF Landscape Industry Review, April 2011', Europe has 1,128 ETFs compared to 972 in the United States. However, assets under management remain higher in the United States. (As of April 2011, European assets stood at US $328.2 billion, while U.S. assets were at US$997.3 billion.)

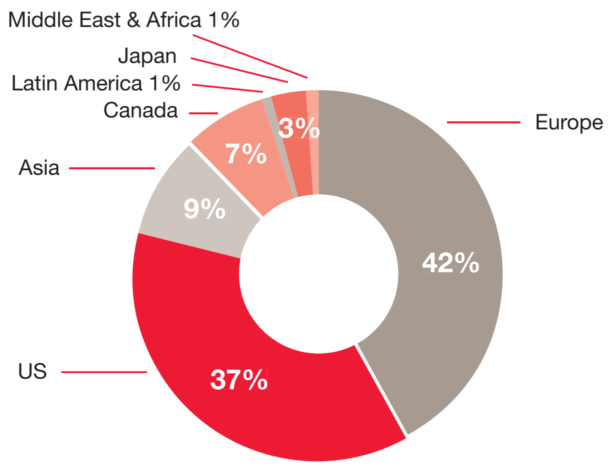
On a global level, the ETF industry has 2,670 ETFs with 6,021listings and assets of US$1.5 trillion, from 140 providers on 48 exchanges around the world at the end of April 2011. This compares to 2,189 ETFs with 4,354 listings and assets of US$1.1 trillion, from 122 providers on 42 exchanges at the end of April 2010.

This exceptional growth highlights that there are no signs that investor interest in ETFs is fading. According to the recent BlackRock report it is expected global AUM in ETFs and ETPs will increase by 20-30% annually over the next three years, taking the global ETF/ETP industry to US$ 2 trillion by early 2012.

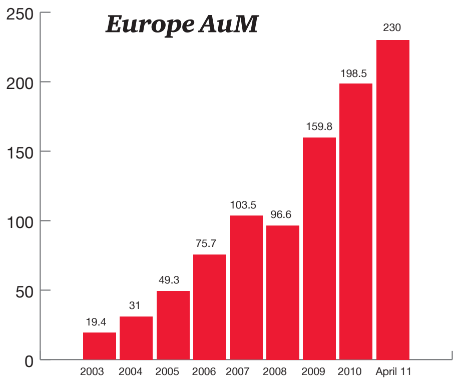
The ETF market is currently a very saturated market. At the end of April 2011 globally, iShares is the largest ETF provider in terms of both number of products, 467 ETFs, and assets of USD636.9 billion, reflecting 43.3 per cent market share. State Street Global Advisers is second with 123 ETFs, assets of US$210.2 billion, and 14.3% market share; followed by Vanguard with 66 ETFs, assets of US$ 173.1 billion and 11.8% market share, as of April 2011. The top three providers account for 69.4% of global AUM. This compares to 70.6% out of 122 providers at the end of April 2010.

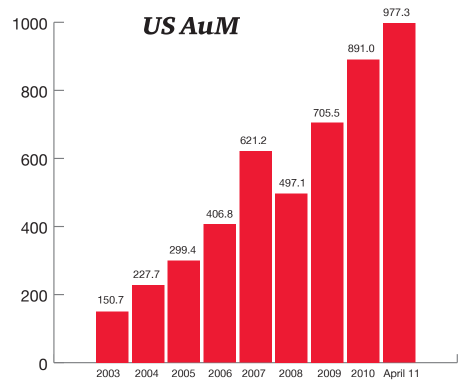
In Europe, iShares is also the largest ETF provider with 35.1% of the market share. This is where the similarity ends, the next two biggest providers are Lyxor (17.2%) and db x-trackers (16.3%). The top three represent 68.7% of the European AuM, similar to the global breakdown.

Global market share by number of funds



Source: BlackRock ETF Landscape review April 2011, PwC analysis





Europe	2003	2004	2005	2006	2007	2008	2009	2010	Jan 2011
AuM (EUR bn)	19.4	31	49.3	75.7	103.5	96.6	159.8	198.5	230
% Growth		60%	59%	54%	37%	(7%)	65%	24%	16%
Number of Funds	104	114	165	273	423	636	827	1,072	1,128

USA	2003	2004	2005	2006	2007	2008	2009	2010	Jan 2011
AuM (USD bn)	150.7	227.7	299.4	406.8	580.7	497.1	705.5	891	997.3
% Growth		51%	31%	36%	43%	(7%)	42%	26%	12%
Number of Funds	117	152	201	343	601	698	772	896	972

Source: Deutsche Bank Research, January 2010 / Blackrock – ETF Landscape, April 2011 / PwC analysis.

Overview of the Global ETF market

Geographic Area	# ETFs	AUM ETFs US $ Bn	No promoters	No of exchanges	Top providers
Europe	1,128	328.2	39	23	iShares, Lyxor, db-xtrackers
US	972	997.3	29	2	iShares, SSgA, Vanguard
Canada	180	43.1	4	1	iShares, Claymore, Beta Pro
Asia Pacific	250	58.6	63	13	SSgA, iShares, Hang Sheng/HSBC
Japan	84	29.4	7	3	Nomura, Nikko, Daiwa
Middle East & Africa	29	2.8	10	3	Satrix, db-xtrackers, Bips
Latin America	27	10.4	4	3	iShares, BBVA, Itau Unibanco

Source: BlackRock ETF Landscape Review April 2011, PwC analysis

Top 25 ETF providers around the world: ranked by AUM

Provider	April - 2011 # ETFs	AUM (US$ Bn)	% Total	# planned
iShares	467	$636.9	43.3%	19
State Street Global Advisors	123	$210.2	14.3%	49
Vanguard	66	$173.1	11.8%	1
LyxorAsset Management	159	$57.4	3.9%	1
db x-trackers	187	$54.8	3.7%	18
PowerShares	131	$50.7	3.5%	48
ProShares	107	$23.2	1.6%	93
Van Eck Associates Corp	33	$23.2	1.6%	36
Credit Suisse Asset Management	58	$18.1	1.2%	0
Nomura Asset Management	32	$15.2	1.0%	2
Zurich Cantonal Bank	7	$14.2	1.0%	0
Bank of New York	1	$12.1	0.8%	0
WisdomTree Investments	46	$12.2	0.8%	71
UBS Global Asset Management	42	$10.8	0.7%	3
Commerzbank	90	$9.8	0.7%	0
Amundi ETF	95	$9.9	0.7%	0
HSBC/Hang Seng	31	$8.2	0.6%	3
First Trust Advisors	57	$8.0	0.5%	4
Nikko Asset Management	20	$6.6	0.5%	0
Source Markets	62	$7.8	0.5%	15
ETFlab Investment	40	$7.4	0.5%	0
Direxion Shares	42	$6.5	0.4%	174
EasyETF	48	$6.4	0.4%	1
Claymore Investments	30	$6.5	0.4%	5
Rydex SGI	25	$5.6	0.4%	95

Note: Data as at end April 2011.
Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

Top 25 ETF providers in Europe: ranked by AUM

Provider	April - 2011 # ETFs	AUM (US$ Bn)	% Total	# planned
iShares	167	$115.3	35.1%	1
LyxorAsset Management	157	$56.5	17.2%	0
db x-trackers	158	$53.5	16.3%	16
Credit Suisse Asset Management	58	$18.1	5%	0
Zurich Cantonal Bank	7	$14.2	4.3%	0
UBS Global Asset Management	42	$10.8	3.3%	3
Commerzbank	90	$9.8	3.0%	0
Amundi ETF	95	$9.9	3.0%	0
Source Markets	62	$7.8	2.4%	15
ETFlab Investment	40	$7.4	2.3%	0
EasyETF	48	$4	2.0%	0
Swiss & Global Asset Management	16	$5.5	1.7%	0
XACT Fonder	24	$3.7	1.1%	0
RBS	22	$1.7	0.5%	1
PowerShares	19	$1.5	0.5%	1
BBVA Asset Management	10	$1.3	0.4%	0
State Street Global Advisors	13	$1.2	0.4%	17
HSBC/Hang Seng	23	$1.1	0.3%	2
ETF Securities	30	$0.9	0.3%	0
Marshall Wace LLP	3	$0.4	0.1%	0
DnB NOR Asset Management	3	$0.3	0.1%	0
Seligson & Co Fund Management	1	$0.3	0.1%	0
Finana Portfoy Yonetimi	7	$0.1	0.0%	0
SEB	3	$0.1	0.0%	0

Note: Data as at end April 2011.
Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

4. Trends in the ETF space

Actively managed ETFs

As the trend towards ETFs becomes increasingly popular, the ETF industry's attempt at active management is intensifying. Actively managed ETFs are relatively new, with the first active ETF launched in the US in 2008.

How does an actively managed ETF work? It has the traditional structure of an ETF, but the assets within the ETF are actively managed by an advisor who is constantly monitoring, reacting, and trading. The goal of this type of ETF is to outperform its correlating index or asset.

The initial actively managed ETFs received a relatively lukewarm response from investors and have been less successful at gathering assets than the traditional ETFs. The introduction of actively managed ETFs may be seen as a positive thing for both investors and the ETF industry as it provides investors with a greater choice, adds new innovation to the industry and the funds come with many of the advantages of a regular ETF.

ETFs enter the hedge fund space

Hedge funds are beginning to notice the growth and appeal of ETFs. ETFs are easy to access with powerful distribution networks. Going forward, hedge funds may look to create ETFs with their own funds as the underlying exposure in order to access these extensive distribution networks. This may give more investors access to hedge funds in small sizes with daily liquidity. Going forward it will be important to educate investors on these new hedge fund ETF structures. Figures compiled by Data Explorers show that the number of European ETFs with lending activity – an indicator of shorting use — rose to more than 250 products in the first quarter of 2010. That compares to an average 125 products being shorted in the first quarter of 2009.

5. Setting up an UCITS ETF

Many European ETFs have been set up under the UCITS regime, thereby benefitting from the principle of mutual recognition within the EU and a high level of acceptance by regulators worldwide. As with any other UCITS product, an ETF set up as a UCITS has to comply with the various UCITS investment rules, including those relating to index replication. In brief the UCITS investment restrictions cover the following:

- 5/10/40 exposure concentration rule
- 20% and 35% rules
- Index replication
- Sufficient diversification
- Adequate benchmark
- Publication
- Eligibility of assets comprising the index

TA and Clearing/Settlement/ Depository Systems

Trading and settlement of ETF shares in the secondary market is facilitated through one or more clearing and settlement systems, e.g. CREST/Euroclear/ Clearstream.

- Some of these systems provide for the trading and settlement of shares in dematerialised form, i.e. shares which are transferred without requiring the transfer to be evidenced by written transfer of ownership.
- If the shares are to settle on an electronic clearing system, the ETF must appoint a registrar and transfer agent or depository which is a member of the electronic clearing system.

Why UCITS & ETFs?

- UCITS - global brand distributed in over 70 countries
- Transparent, tried and tested regulation
- Attractive for institutional and retail investors
- Focus on risk management & investor protection
- Flexibility to accommodate alternative investment strategies (leverage and short exposure)
- Continuous evolution – UCITS I/UCITS III and UCITS IV (2011)

6. ETF Risks

In Europe, the concept of ETFs as a low cost, highly liquid, UCITS regulated index tracker fund creates few risks in itself and its high level of transparency meets with both investors' demands and regulatory approbation. However, no new market can expand as rapidly as the ETF market has over the last 17 years without certain risks and problems arising either from the management the ETF product itself or its misuse/miss-selling in the market place.

The increase in the number of producers and the resulting competition to secure investors' money has led to a proliferation in the number and range of ETF products. Not only have the investment policies of ETFs become more esoteric and narrow, but the investment methods that have been used to achieve the investment objectives have multiplied, with many now relying on various forms of derivatives to meet their investment objective. Hand in hand with this expansion and increase in complexity has been the increase in factors that affect tracking errors. Such factors include:

- Inability of acquiring the less liquid stocks in an index
- The use of other investment instruments to replicate parts of indices
- Country/asset specific risks
- Inability of market makers to create the stock, an aspect of particular to ETCs and ETNs
- The risk associated with the counterparty where swaps and other derivative products have been used to replicate indices or parts of indices. This can range from the catastrophic as in the case of Lehmans or at a minimum temporarily disrupt trading.

The complexity and the structures of a range of ETFs, ETNs and ETCs, particularly those using derivatives, have not escaped the notice of the regulator in the UK as well as in the US. The SEC, the Bank of England and the Financial Stability Board have all been expressing certain reservations on a number of aspects of ETFs; ranging from the suitability of certain ETF products for the retail market to the more fundamental concerns as to the systemic risks that non-asset backed ETF pose to the financial markets.

Apart from any action that might be taken by individual country regulators, there is also, in the pipeline, a swath of European legislation relating to the selling of investment funds to retail investors over the next two or three years. This is likely to affect, to varying levels, the marketing and management of ETFs in Europe.

7. Accounting framework for Exchange Traded Funds

USA

In the USA, ETF's are subject to the same financial reporting requirements as mutual funds. The financial statements of mutual funds, closed-end funds, Exchange Traded Funds and unit investment trusts in the USA are prepared in terms of an investment company US GAAP standard; as issued by the Financial Accounting Standards Board ("FASB") as well as disclosure requirements set forth in regulation S-X established by the Securities and Exchange Commission ("SEC"). This standard is an industry specific reporting model that reflects the unique characteristics of pooled investment vehicles. ETFs have also been requested by the SEC / National Association of Securities Dealers "NASD" to provide additional information concerning differences between an ETF's net asset value and market value, along with total returns calculated using market value and net asset value.

Rest of the world

With respect to the rest of the world, ETF's financial statements are prepared either in terms of full IFRS; as issued by the International Accounting Standards Board ("IASB"), local country GAAP, statements of regulated practice endorsed by an accounting or regulatory body and or industry frameworks. However, there are a number of concerns in the asset management industry that IFRS in its current form is not an appropriate framework for Exchange Traded Funds; and that an industry specific framework is required, ideally as part of IFRS. The following concerns have been identified in relation to IFRS:

- The requirement for a Statement of Cashflows and Statement of Changes in Equity;
- The presentation requirements in terms of IAS 1 for financial statements;
- The introduction of functional currency and presentation currency;
- Funds account for changes in fair value in equity as the income statement includes only investment income and expenses as this is what determined the distributions to investors which is limited to interest and dividends net of expenses;
- The use of bid pricing;
- Treatment of transaction costs;
- Investors in the fund will in many instances be classified as liability but in others as equity;
- Consolidation;
- Investments in associates;
- Related party transactions and related disclosures; and
- Risk disclosures.

In the absence of an alternative industry specific IFRS framework, IFRS in its current form may be forced on the ETF industry to the detriment of investors and the industry as a whole.

IFRS / US GAAP conversion

The FASB believes in convergence of accounting principles and reporting between IFRS and US GAAP, however, its view is that convergence should be toward an investment-company GAAP which will better serve the interests of fund shareholders. Its view is that the application of IFRS to Exchange Traded Funds would result in financial statements that would be less meaningful and less transparent than those prepared under US GAAP as applied to investment companies. It notes the main areas of concern as follows:

- Fair value measurement and the use of bid pricing for assets and ask price for liabilities as against the last sale basis used in the US.
- Opened ended fund shares (the investors interest in the fund) would be classified as liabilities under IFRS.
- Consolidation in the investment company environment.
- The treatment of transaction costs which under IFRS would be an expense in the income statement but under current GAAP for funds in the US these costs are included in the cost of securities purchased and deducted from proceeds of sale.

- Compliance related issues as currently compliance requirements for funds (for example, limits on certain types of investment) are aligned to the current accounting treatment, but convergence to IFRS in its current form would result in different measurements for compliance and financial reporting.

- Impact on fund service contracts which are often based on a percentage of net asset value of the fund and therefore a change to IFRS would require amendment to many service contracts at considerable expense, ultimately to the investor.

Accounting standards boards across the globe are currently lobbying to get the matter in respect of an investment company IFRS onto the agenda for consideration by the IASB.

8. Impact of UCITS IV on ETFs

ETFs established in Europe are generally regulated under the UCITS regime, therefore will be impacted by the upcoming UCITS IV Directive. The implementation of UCITS IV in 2011 will not bring any fundamental change to the way in which European ETFs operate. UCITS IV does not expand or limit the types of potential ETFs which may be launched. It does however contain mechanisms which should reduce the costs to ETF managers, such as the concept of the "Management Company passport" and the improved regulatory notification procedure for European cross-border distribution.

The Management Company passport facilitates the cross-border marketing and distribution of a UCITS in other host member states following appropriate notification to the respective competent authorities. The Management Company passport will allow a UCITS fund in one domicile to be managed by a Management Company located in another jurisdiction. The UCITS IV Management Company passport aims to help asset managers by removing the burdensome task of setting multiple management companies. Hence, allowing them to centralise their asset management, administration, risk management operations within one domicile.

The notification procedure which currently exists under UCITS III was seen as cumbersome as the competent authorities of the host member state have the right to impose additional requirements on the foreign UCITS, above those laid down in the UCITS III directive, resulting in delays and additional costs.

This will all change under UCITS IV, the control of the host member states' competent authorities is removed and is replaced with a "regulator-to-regulator" system. This means that the ETF must notify its home member state's competent authorities of its intention to be distributed in another member state. The home member state's competent authorities will then transmit the notification letter and accompanying documentation to the competent authorities in the host member state no later than ten working days following the date of receipt of the notification. The competent authorities of the host member state are then obliged to notify the ETF immediately, at which point the marketing of the ETF in the host member state can begin. The Key Investor Information Document ("KIID") is the only document required to be translated.

This new process should greatly improve the efficiencies involved with the current registration process. The notification period will be greatly reduced, currently on average it is a two month waiting period prior to the commencement of marketing in the host member state. Fewer translation requirements should also result in lower costs. However, the ETF will still be subject to those laws of the host member state that are applicable to marketing arrangements, and therefore to ongoing supervision by the competent authorities in the host member state. Furthermore, UCITS IV has not harmonised the procedures of the stock exchanges in each member state; and so, while the registration process will be streamlined in terms of the member state competent authorities, local stock exchanges will still be free to impose their own additional requirements and any updates or amendments to the UCITS documentation will continue to be handled under the current process whereby each stock exchange is free to implement its own requirements.

9. Main European ETF Exchanges

Exchanges play an important role in the ETF industry as ETFs are purchased and sold on exchanges. The main ETF exchanges are located in the US, Europe and Canada.

Top ten exchanges for ETFs worldwide

Region/Country	Exchange	# ETFs	AUM (US$ bn)
United States	NYSE Arca	878	$911.0
Germany	Deutsche Boerse	396	$119.2
France	NYSE Euronext Paris	262	$63.3
United Kingdom	London Stock Exchange	225	$72.6
Canada	Toronto Stock Exchange	171	$42.8
Switzerland	SIX Swiss Exchange	116	$43.1
Japan	Tokyo Stock Exchange	72	$19.3
United States	NASDAQ Stock Market	71	$39.1
South Korea	Korea Stock Exchange	70	$6.3
Hong Kong	Hong Kong Stock Exchange	43	$27.5

Top ten exchanges for ETFs in Europe

Region/Country	Exchange	# ETFs	AUM (US$ bn)
Germany	Deutsche Boerse	396	$119.2
France	NYSE Euronext Paris	262	$63.3
United Kingdom	London Stock Exchange	225	$72.6
Switzerland	SIX Swiss Exchange	116	$43.1
Sweden	NASDAQ OMX Stockholm	30	$2.8
Italy	Borsa Italiana	23	$2.8
Ireland	Irish Stock Exchange	14	$0.4
Spain	Bolsa de Madrid	12	$1.4
Turkey	Istanbul Stock Exchange	12	$0.2
Netherlands	NYSE Euronext Amsterdam	12	$0.4

Source: Global ETF research and implementation strategy team, BlackRock, Bloomberg – April 2011

10. Services

ETFs are a specialist product. PwC has a global team of experts with extensive experience of ETFs and offer services which are specifically tailored to the needs of ETFs. All the below services are subject to the laws and regulations in each individual country.

Our ETF services include:

- Assisting clients with all aspects of product design and selection
- Examining all tax aspects - product, investments and investors
- Annual audit and tax review of ETF products and management companies
- Specific agreed-upon procedures reviews of controls and processes surrounding ETF control environment
- Global Fund Distribution Services
- Listing Services

Assurance and regulatory compliance services

As one of the world's leading audit and assurance firms, PwC audits many of the Exchange Traded Funds (ETF's) listed on securities exchanges throughout the world. We have a wealth of experience in servicing the ETF industry, as demonstrated by our client list and the significant investment we make in research and training. We offer a strong and reliable network of dedicated industry experts and our goal is to help our clients extract value from their operations.

Service offerings are relevant as they are based on our deep knowledge of the ETF industry and the issues effecting ETF's and their respective management companies. If information is important enough to be relied upon, it's important enough for assurance.

Below is a broad overview of our assurance and regulatory reporting services:

- Financial statement audits and agreed-upon procedures
- IFRS reporting
- Accounting, technical and regulatory advice
- Knowledge management function
- Regulatory reporting

Tax & Legal Services

From a tax perspective, it is important to consider in what jurisdiction the ETF should be domiciled and what fund vehicle should be used. As such, it is important that the fund vehicle itself does not incur (substantial) taxes in the jurisdiction it is domiciled. By choosing the fund vehicle and jurisdiction, one should also consider the investments that the fund is going to make. If substantial withholding taxes may apply to equities the ETF invests in, it should be considered whether these withholding taxes could be mitigated through double tax treaties or alternative solutions.

Further, the tax implications for the different type of investors (e.g. individuals, corporates and institutionals) in the jurisdictions the ETF is being offered should be assessed. In addition, in some countries certain specific reporting requirements may apply to investments in funds. It may be required to have a local tax representative, register with the local tax authorities and prepare tax filings.

Our Tax & Legal Services team formulates effective strategies for optimising taxes, implementing innovative tax planning and effectively maintaining compliance. In recognition of the international tax issues to be considered in structuring funds, PwC offers a global investment management team with fund specialists in every jurisdiction. Our services include:

- Fund structuring: Considering a tax efficient jurisdiction to domicile the ETF and choice of tax efficient fund vehicle with respect to investments and local taxes.

- Investor information: Assessing the tax implications for the different type of investors (e.g. individuals, corporates, institutionals) in the jurisdictions the ETF is being offered.

- Reporting: Providing the full range of tax reporting services including registrations with tax authorities and preparations of tax filings.

Advisory Services

PwC has a dedicated consulting team covering strategic, process and regulatory issues along the whole value chain of the ETF industry. Across multiple jurisdictions, our integrated ETF team can offer "turn-key" solutions for supporting new entrants as well as repositioning of existing players. Our services include:

Market entry: Strategic assessments of the ETF market, business plans, feasibility studies, choice of appropriate fund domicile, authorization service and service provider selection.

- Product innovation advice regarding: Indexing techniques, fund structures, registration services, regulatory filing, prospectus updates, listing support at various stock exchanges and private placement advice.

- Cost efficiency: Streamlining ETF operations, benchmarking the cost base, re-arranging supplier relations and outsourcing operations or migrating to new platforms.

- Market advice on: Financial risk management framework, hedging techniques on the trading book, efficient use of seed money, securities lending and collateral management.

ETF Listing

With both authorisation for distribution and stock exchange listing, you will need to understand and satisfy a host of differing regulatory requirements across multiple jurisdictions. You need the support of skilled and experienced local experts to optimise the market entry and ongoing compliance processes for your ETF funds.

Our ETF Listing module is a "turn-key" multi-jurisdictional project managed solution for your ETF platform. Your ETF is able to achieve simultaneous market entry, for both registration and exchange listing, in multiple jurisdictions via a single PwC contact point within the Global Fund Distribution central team based in Luxembourg. The ETF Listing module delivers certainty and speed to market with the minimum use of your valuable internal resources.

Once your ETF has been registered and listed in the required jurisdictions, our comprehensive Market Reporting module is tailored to your ETF platform. Indeed, our solution covers both ongoing reporting (i.e. regulatory filing of financial statements and prospectus updates) to the local regulator and/or tax administration and to the local stock exchange. The Market Reporting module for ETF funds covers both areas of ongoing market reporting in a systematic way by first advising you of the necessary reporting obligations and then, through a tailored and formalised reporting program, ensuring your ETF fund is always in compliance. This is especially important given the differing stock exchange listing requirements.

11. Contacts

Our expert team comprise of assurance, tax and advisory professionals specialising in ETFs.

Country	Assurance	Tax	Advisory
Austria	Thomas Strobach T: +43 1 501 88 3640 E: thomas.strobach@at.pwc.com	Thomas Steinbauer T: +43 1 501 88 3639 E: thomas.steinbauer@at.pwc.com	Christoph Obermair T: +43 1 501 88 3629 E: christoph.obermair@at.pwc.com
France	Benjamin Moïse T: +331 56 57 60 31 E: benjamin.moise@fr.pwc.com	Chloë Sebaoun-Nessim T: +33 1 56 57 44 25 E: chloe.sebaoun-nessim@fr.landwellglobal.com	Ilan Cohen T: +33 1 56 57 58 59 E: ilan.cohen@fr.pwc.com
Germany	Stefan Peetz T: +49 69 9585 3946 E: stefan.peetz@de.pwc.com	Joachim Kayser T: +49 69 9585 6758 E: joachim.kayser@de.pwc.com	Thorsten Gommel T: +49 69 9585 2050 E: thorsten.gommel@de.pwc.com
Ireland	Andrew O'Callaghan T: +353 1 7926247 E: andy.ocallaghan@ie.pwc.com	Marie Coady T: +353 1 7926810 E: marie.coady@ie.pwc.com	Mike Sullivan T: +353 1 7926450 E: michael.m.sullivan@ie.pwc.com
Luxembourg	Marie-Elisa Roussel-Alenda T: +352 494848 2050 E: marie-elisa.roussel-alenda@lu.pwc.com	Laurent De La Mettrie T: +352 494848 3007 E: laurent.de.la.mettrie@lu.pwc.com	Philippe Matelic T: +352 494848 2308 E: philippe.matelic@lu.pwc.com
Netherlands	Frank van Groenestein T: + 31 88 792 4065 E: frank.van.groenestein@nl.pwc.com	Martin Vink T: + 31 88 792 6369 E: martin.vink@nl.pwc.com	Martin Eleveld T: + 31 88 792 4997 E: martin.eleveld@nl.pwc.com
South Africa	Bryan Ingram T: +27 (11) 797 5730 E: bryan.ingram@za.pwc.com	Louis le Grange T: +27 (11) 797 4263 E: louis.le.grange@za.pwc.com	Ernst Maritz T: +27 (21) 529 5545 E: ernst.maritz@za.pwc.com
UK	Sally Cosgrove T: +44 20 7804 0669 E: sally.cosgrove@uk.pwc.com	Tim McCann T: +44 20 7212 5441 E: tim.j.mccann@uk.pwc.com	Melville Trimble T: +44 20 7213 8898 E: melville.trimble@uk.pwc.com Laura Cox T: +44 207 212 1579 E: laura.cox@pwclegal.co.uk

pwc.com