

# Exchange Traded Funds

Powered by Data & Analytics



## ETFs and Ireland

Ireland has a worldwide reputation as a leading regulated international jurisdiction for servicing the funds industry. In the last five years alone assets under administration in Ireland have almost doubled from EUR1.8 trillion to EUR3.8 trillion.

ETFs are one of the fastest growing asset classes with Irish domiciled ETFs representing 53% of all European ETFs. Approximately EUR230 billion assets are currently held in Irish domiciled ETFs with this number expected to double, if not triple, in the next five years.

## Why ETFs?

ETFs are creating dynamic and innovative investment strategies and actively managed ETFs represent the next generation of innovation. For investors, the advantages are clear:



**Fees:** ETFs typically have lower fees than comparable mutual funds. That's because the cost of shareholder servicing and recordkeeping is largely eliminated for ETF sponsors.



**Investor objectives:** ETFs are well suited to meet investor objectives related to portfolio diversification, liquidity needs or hedging.



**Intraday training:** ETFs are continuously valued throughout each trading day, and the price of an ETF share is market-derived.



**Liquidity:** ETFs can be bought and sold at any time during the trading day, just like stock. This liquidity factor is particularly important to institutional investors (e.g. pensions), as they can use it to 'equitise cash', or park money for short periods of time.



**Taxes:** Both ETFs and mutual funds distribute realised capital gains every year to minimise or eliminate entity level taxes.



**Access:** ETFs offer cost-effective access to an array of investment options for any investor with a brokerage account, as well as the ability to short-sell for investors looking for the inverse exposure of an ETF.



**Transparency:** ETFs generally must disclose their holdings on an intraday basis, while mutual funds generally have to do it quarterly. While this places an administrative burden on ETF sponsors, it's a benefit for investors.

## The road to success

It is essential that you have all phases of your ETF game plan locked down tightly before launch – from investment strategy to operations to sales and distribution.

To make sure you are prepared to execute quickly and effectively against your game plan you need to:

- Understand the ETF landscape thoroughly, including your competitors' strengths, weaknesses and tactics.
- Offer a product that connects with investors and develop a compelling "elevator speech" to explain the product to appropriate audiences.
- Develop and evolve a strategy to mitigate investor tax exposure.
- Realistically assess the fixed costs and run rate it will take to launch and maintain the ETF for at least 18 months (or until it gains traction). In addition, consider the amount and timing of seed capital to show activity in the fund versus seeding the entire amount at launch.
- Make sure that you have the right talent, experience and track record to execute on the investment strategy you have selected.
- Lock in your operations, technology and sales platforms along with your custodian and distribution contracts.
- Create a competitive and predictable fee structure.
- Build in options that allow you to be more nimble and agile than your competitors.



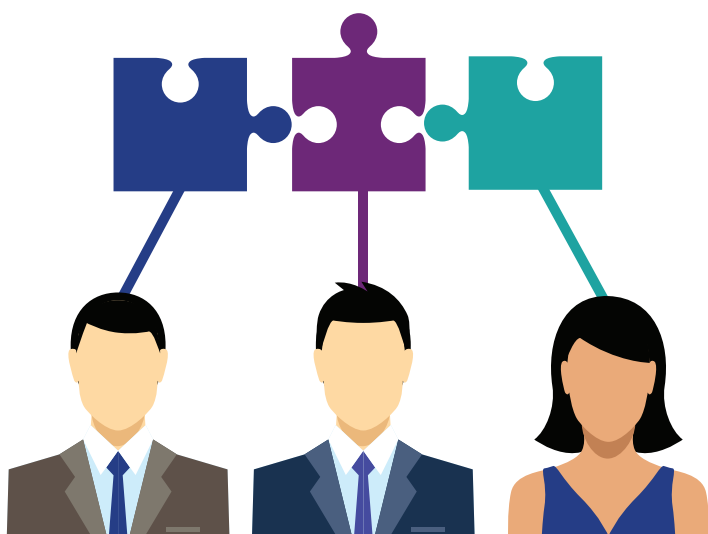
## We offer

**Deep industry experience:** Regardless of where your firm is at in its evolution - from launch to globalisation to exit – our professionals have the passion and experience to help you deal with the issues and challenges that impact you today, as well as prepare you for what lies ahead.

**Global strength and capabilities:** Our global network of member firms includes professionals located in all of the world's commercial hubs, enabling us to serve our clients wherever they do business.

**Outstanding team leadership by senior professionals:** Our engagement teams, led by senior partners and professionals, work shoulder-to-shoulder with you to offer practical, customised and appropriate insight and guidance, and deliver tangible results.

**Advanced technology and innovation:** We supplement our hands-on approach with industry-leading technology and innovation capabilities that enable you to operate and leverage your resources – people, vendors, legacy platforms and equipment – more efficiently. Our methodologies respond to the era of Big Data through the use of innovative Data and Analytics tools including our bespoke iNAV technology supported by our global valuations team, iRADAR. iNAV is designed to respond to benchmark position prices and performance within funds on a daily basis to give early warning of Net Asset Value (NAV) issues.



## How we can help

KPMG is an industry leader with over 10,000 professionals around the world serving the global investment management and funds industry. In Ireland we have a 400 strong dedicated investment management practice with strong and longstanding relationships with all the administrators and custodians. We work with over 210 global investment managers including almost 30% of Irish domiciled ETF managers.

Our services include:

### Audit

- Statutory audit
- Agreed Upon Procedures
- Track record assurance
- Valuation assurance
- Data & analytics tools offering speed, real time information, security and transparency provided by KPMG's iRadar and iNAV

### Tax

- Design of optimal tax structures
- Global tax compliance services
- Investor tax reporting
- Withholding taxes review
- EU withholding tax reclaims
- VAT services
- Financial transactions taxes
- Transfer pricing
- International tax consulting services

### Advisory

- Fund creation and set-up services
- Regulatory advice
- Management consulting
- Corporate governance
- Target operational model
- Due diligence
- M&A

© 2016 KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Ireland.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

If you've received this publication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide. If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact us at (01) 410 2665 or e-mail [sarah.higgins@kpmg.ie](mailto:sarah.higgins@kpmg.ie). Produced by: KPMG's Creative Services. Publication Date: September 2016. (2143)