

Focus on Funds: ICI Seeks Market Improvements for ETFs and Their Investors

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On August 24, 2015, markets were roiled by structural problems that affected trading in a number of securities, including some equity exchange-traded funds (ETFs). Since then, ICI has been pressing for a greater understanding of the factors that caused pricing issues—and, as the week's *Focus on Funds* covers, changes that would avoid similar issues in the future.

Transcript

Stephanie Ortals-Tibbs, ICI Director, Media Relations: Exchange-traded funds, like all funds, fundamentally depend on well-structured, well-functioning capital markets. At ICI's Capital Markets Conference in New York, there was a focus on ETFs and the issues that they face in particular in today's capital markets. Here are a couple of the key takeaways.

Shelly Antoniewicz, ICI Senior Economist: For ETFs, certainty of information, having the underlying price discovery process for their underlying securities in their portfolios is extremely important and when that is not available and market structure rules impede that information to come through or the certainty of the information in the underlying processes, or underlying prices, the arbitrage mechanism will break down. And we saw that happen for some of the ETFs on that day [August 24, 2015] and it clearly was impacted by the market structure rules. We also discussed on the panel the use of market orders and stop-loss orders, which helped push some of the prices of the securities down very quickly after the opening auction and whether or not—how much more education needs to be done with investors so they understand the risks that are associated with those order types.

Ortals-Tibbs: And so ICI has asked for some changes around order execution.

Antoniewicz: Well, ICI has submitted a letter to the SEC asking the exchanges to work together on the reopening process after the halts so that they can harmonize the reopening processes across the exchanges after there is a trading halt. And that will help ETFs, but it's also going to help regular corporate securities as well.

Additional Resources

- Speech from 2016 ICI Capital Markets Conference: [“Promoting the Buyside Voice on Market Structure”](#)
- ICI Viewpoints: [Traders, Start Your Engines: After August 24, Exchanges Need to Coordinate](#)

- [ICI Letter to SEC on Market Structure Concerns Related to Events of August 24, 2015](#)
- [ICI's ETF Resource Center](#)

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