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## **ETFs: Regulatory (High) Impact**

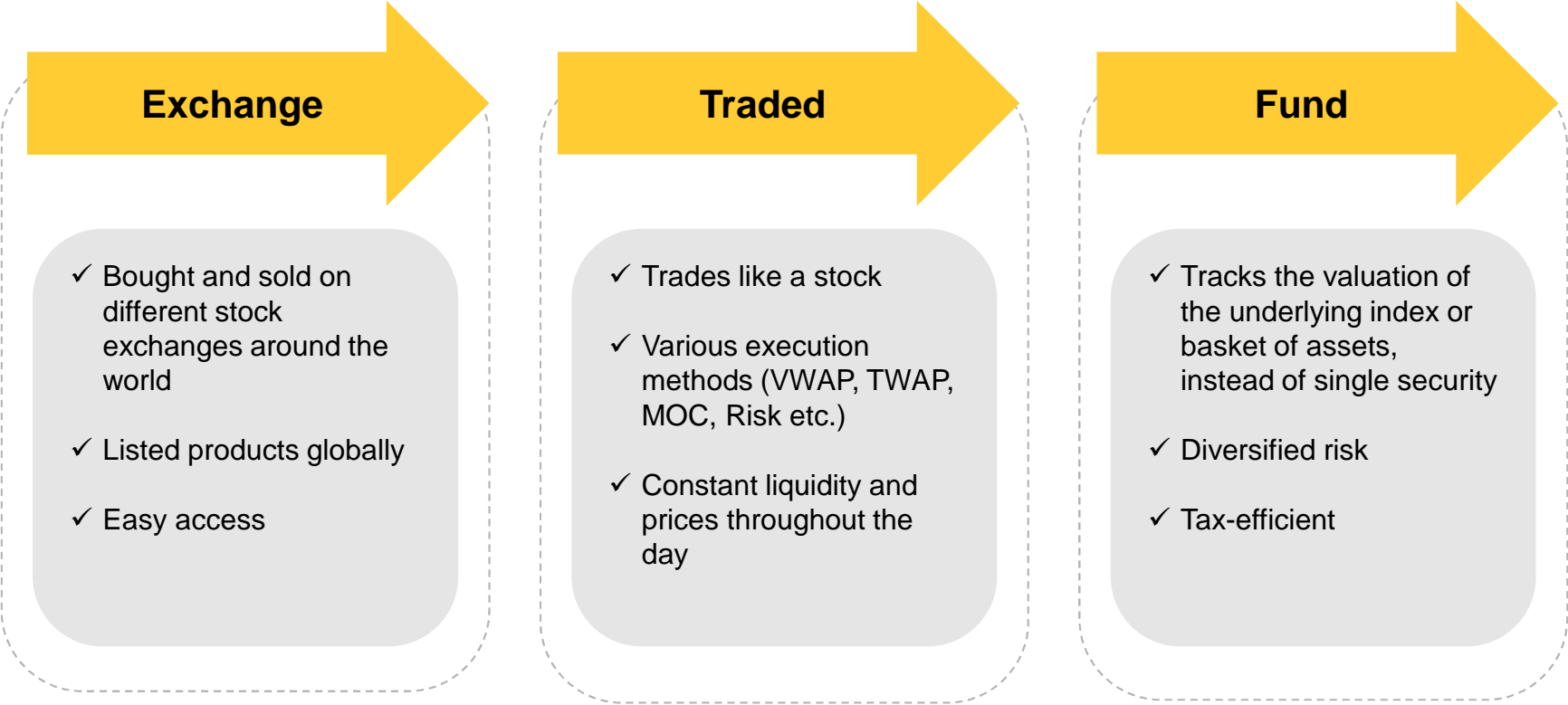
Commerzbank, leaders in ETF

February 2018



# What are ETFs?

 Securities that track the value of an index, commodities or a basket of assets and trade like a stock on the exchange





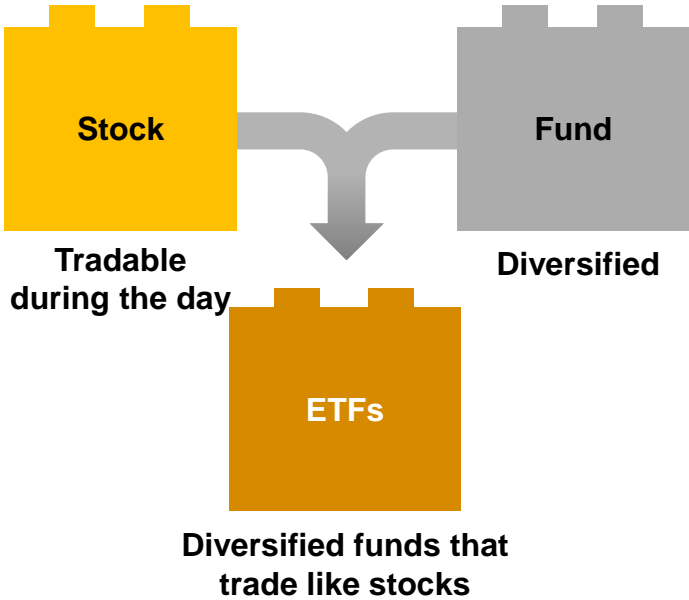
# ETF: The Perfect Tool For Portfolio Construction

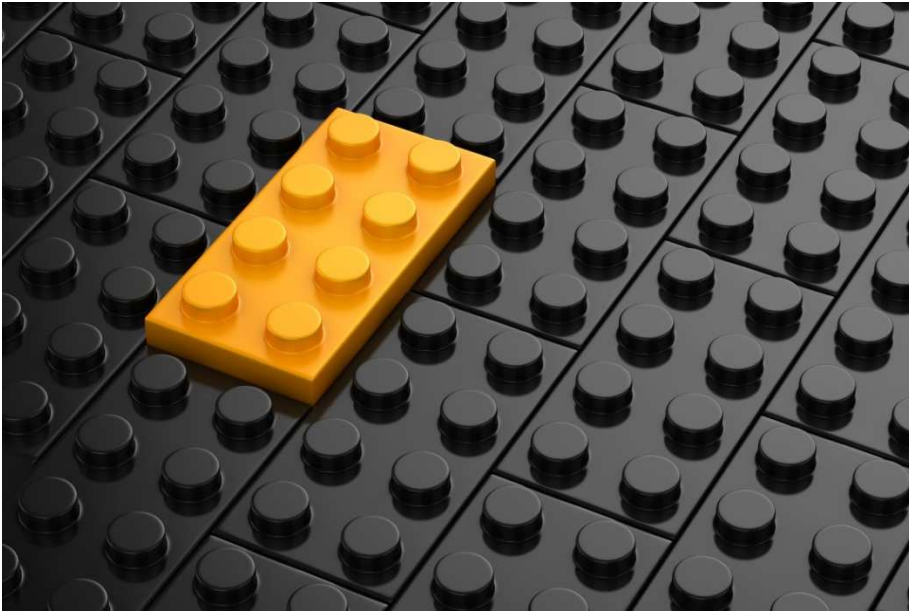
## Advantages

-  Cost-effective
-  Liquid
-  Transparent
-  Versatile Asset Class
-  Tax-efficient
-  Coupon, Dividend, Maturity Management Included
-  Diversified Investment

## Drawbacks

-  Limited outperformance (ETFs track indices)
-  Tracking Error vs Desired Benchmark

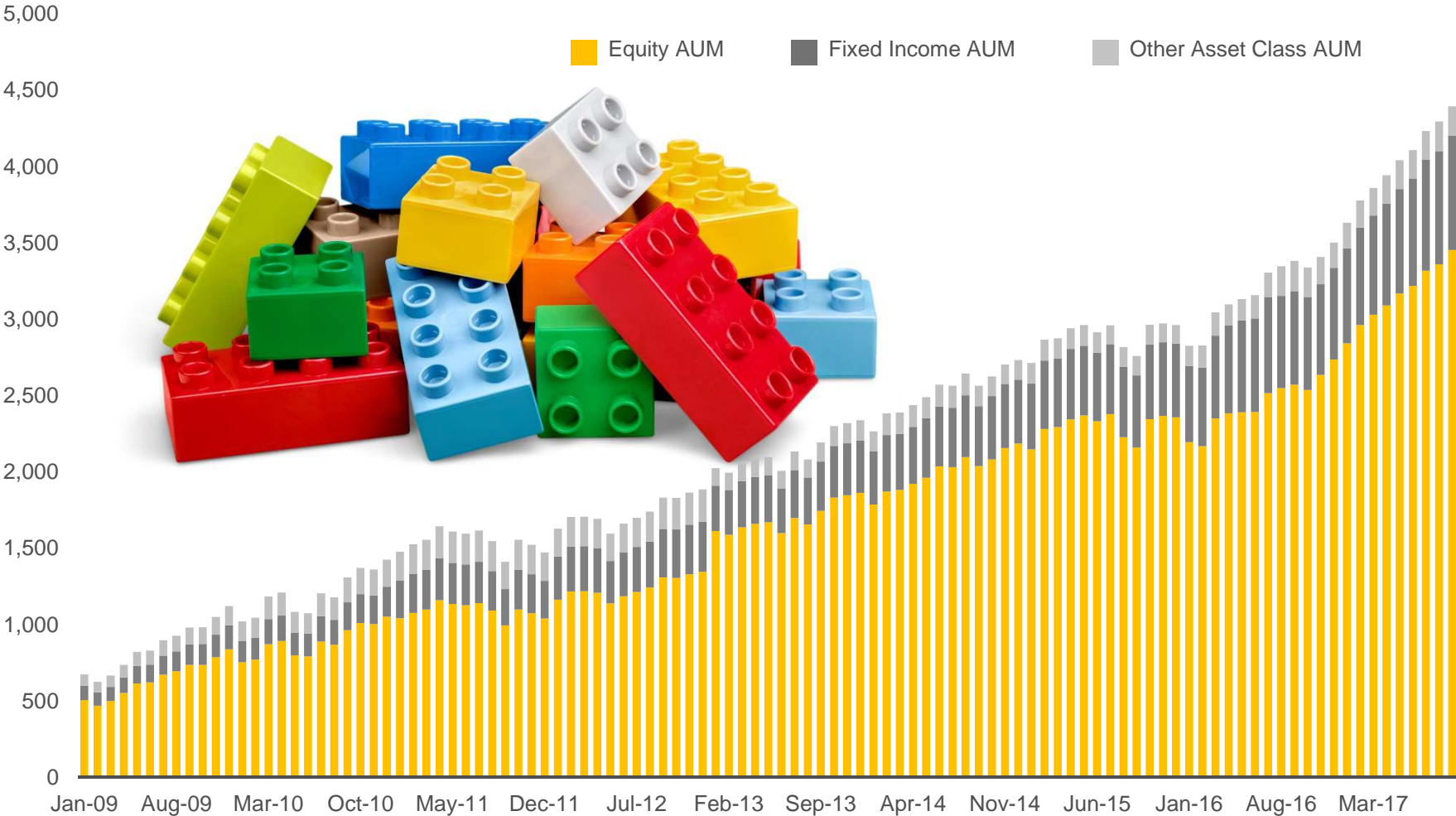




**Evolution:**

**The Structural Forces Behind  
The Success of ETFs**

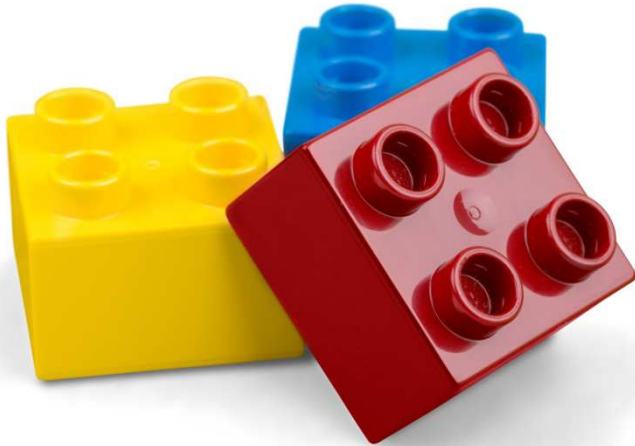
# A US\$4.5 Trillion ETF Industry



Sources: BlackRock, as of September 2017

# Three Structural Forces Behind The Rise of ETFs

ETF



Shift to Fee-based  
Advisory



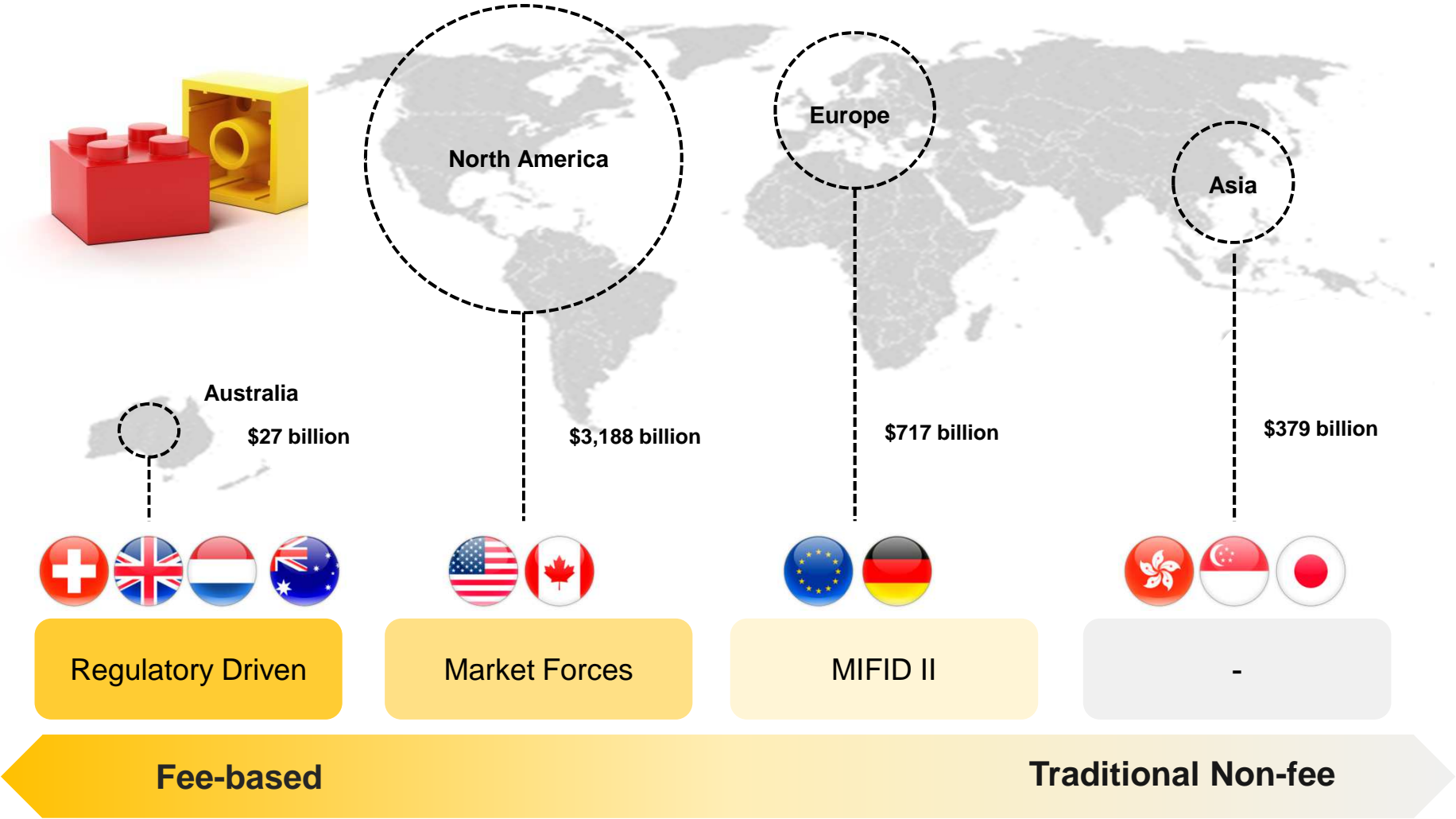
Shrinking Bank  
Balance Sheets



Shift from Active  
to Passive Investment



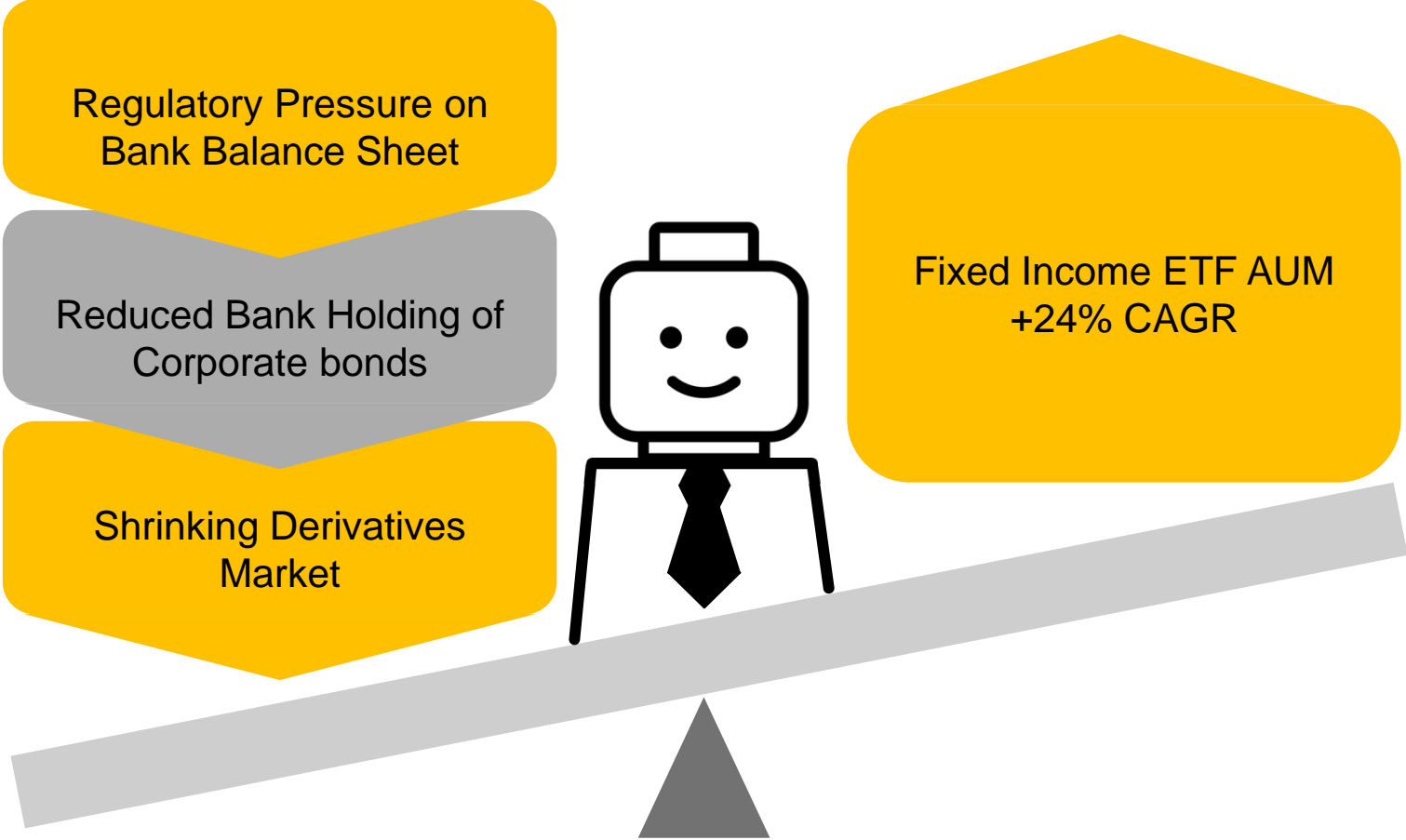
# 1) Gradual Move to Fee-Based Advisory



Sources: BlackRock Global ETP Landscape, as of August 2017

## 2) Shrinking Bank Balance Sheet

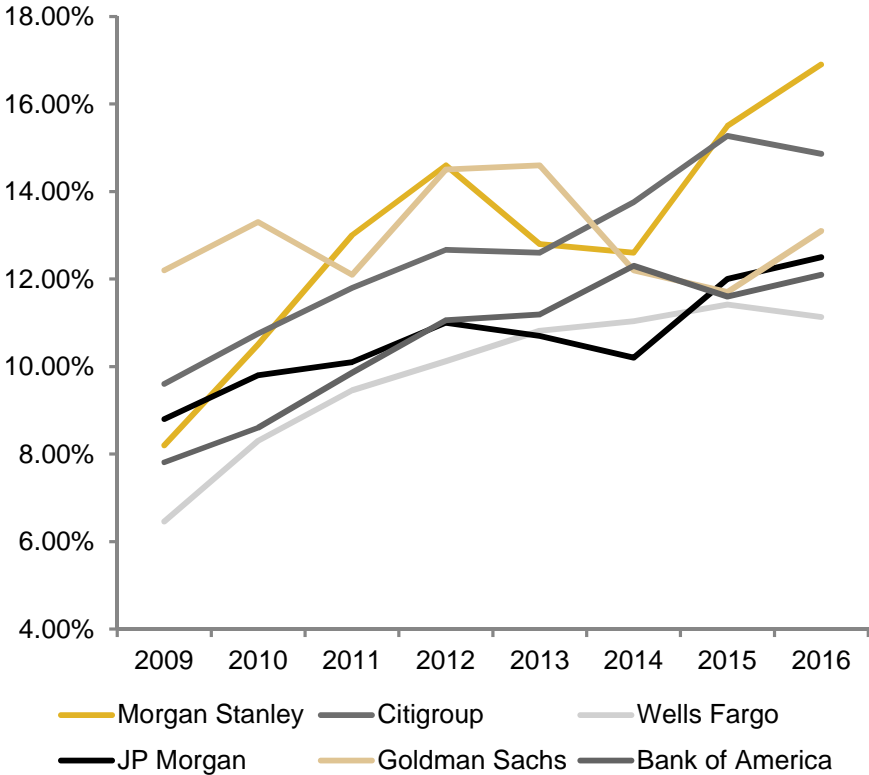
Example: Fixed Income ETFs



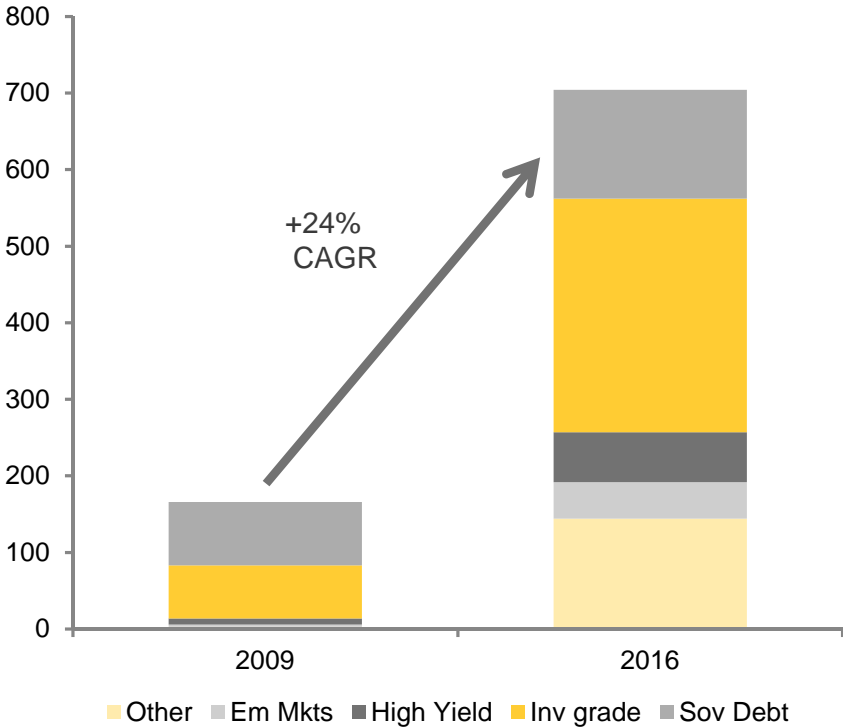


## 2) Shrinking Bank Balance Sheet

Tier I Common Equity in Major US Banks

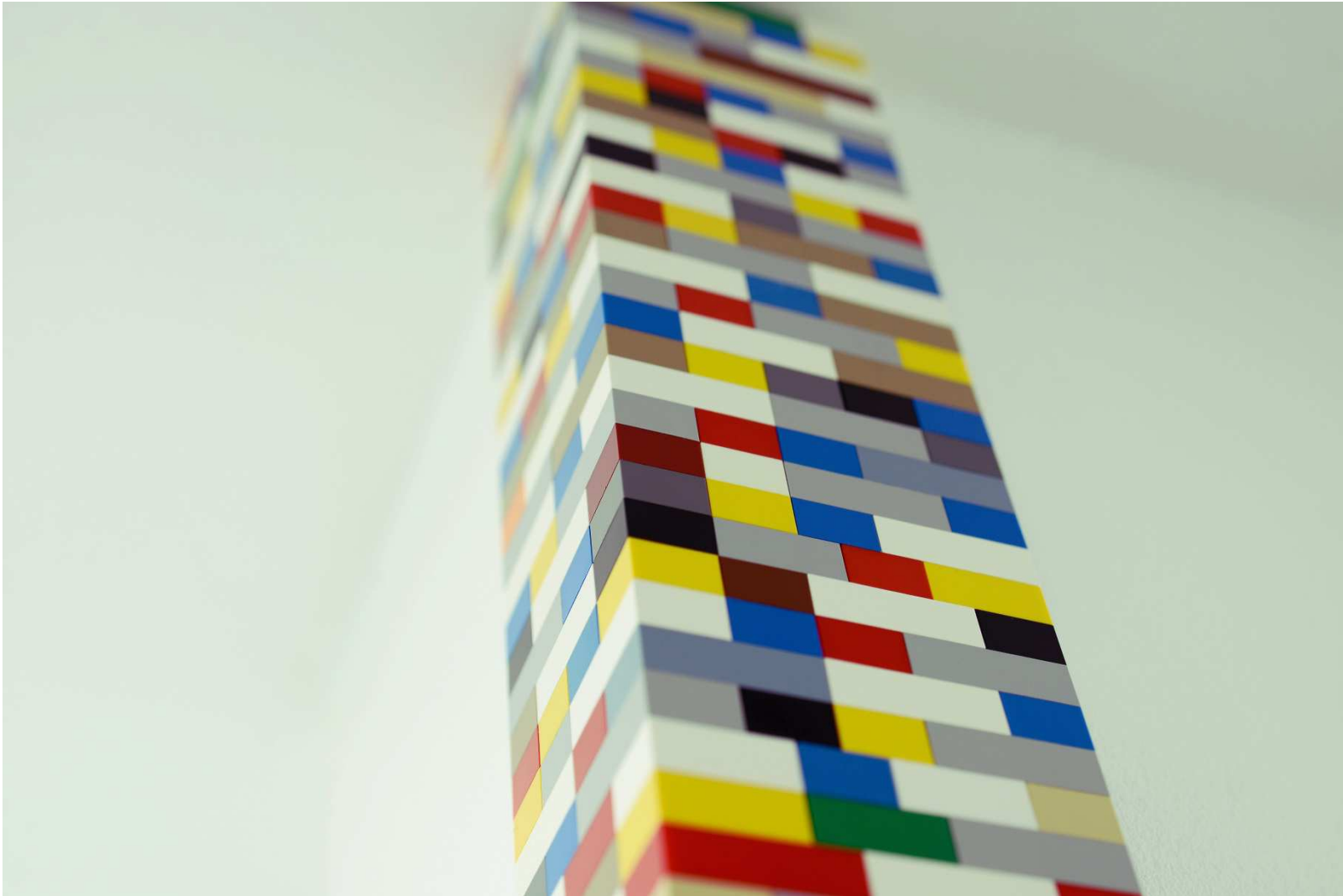


Fixed Income Asset AUM (USD billion)

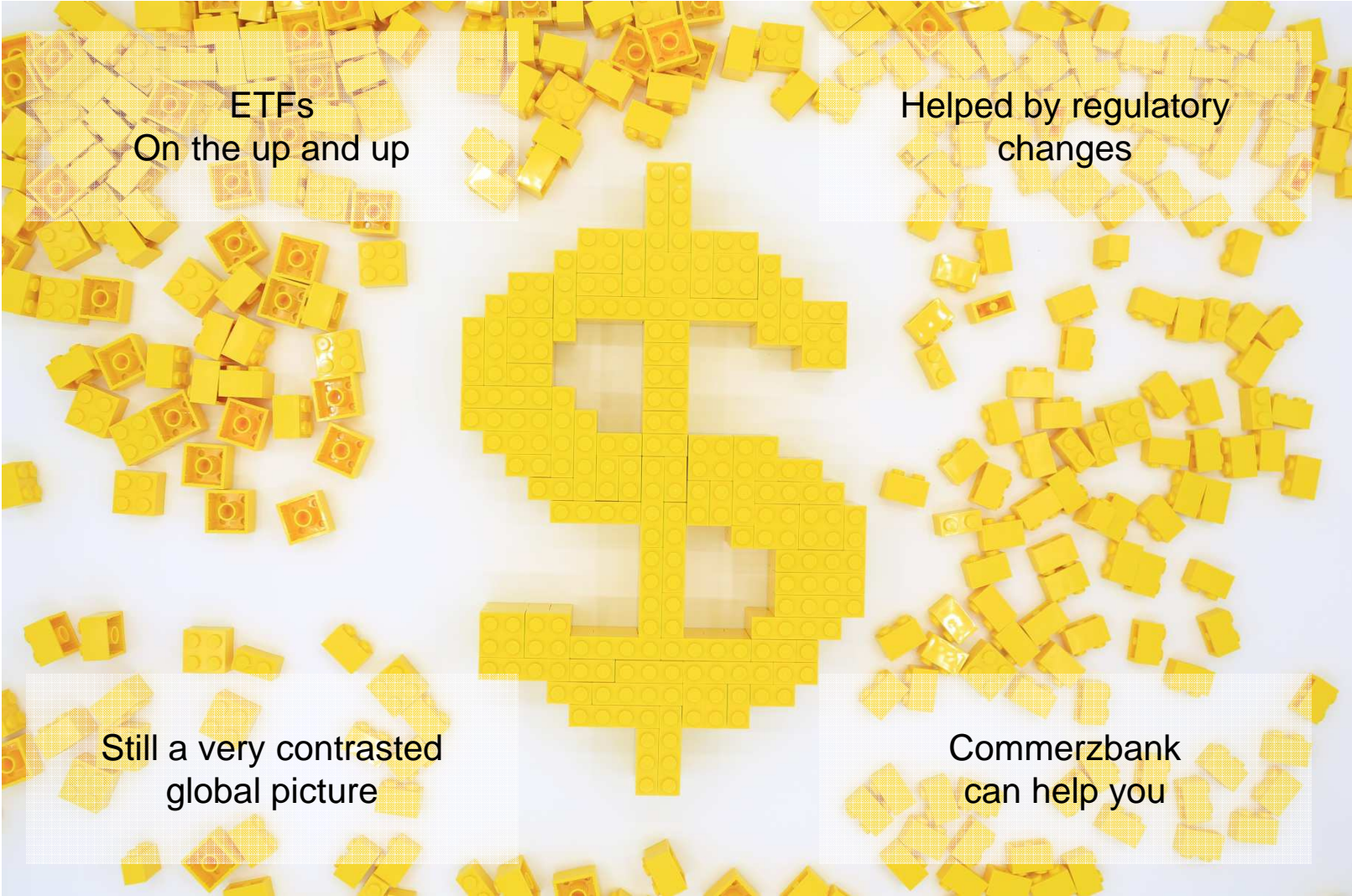


Source: Bloomberg and Blackrock

### 3) Rise of passive Investing



# ETF: Standardized, Abundant, Liquid, Cost Effective, Versatile



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