

The

2020



ETF
ADMINISTRATION
SURVEY

STEPPING UP TO THE CALL

In Global Custodian's inaugural ETF administration survey, service providers face increasing demands to mature and scale services for this fast-growing market.

In its Winter 2017 edition, Global Custodian published a feature titled "Battleground 2020: ETFs". The overarching theme of the article centred on the surge in uptake of passive investing, resulting in exchange traded funds becoming one of the dominant asset classes for the buy-side, a shift in possibly determining the next top global custodian.

Since that article was published, assets under management (AUM) for ETFs have increased from \$4.4 trillion in September 2017 to \$6.1 trillion as of the end of May 2020. The low-cost nature of ETFs – in comparison with mutual funds – have made them an attractive feature for all investor types, sparking their ascent to become one of the most popular investment vehicles.

As noted in a previous edition of Global Custodian, the dramatic changes at the client level will most likely send ripples to everyone involved in the investment servicing process, due to the heightened level of transparency and efficiency associated with the ETF market.

Having looked at where the market was heading – not to mention the increased frequency in ETF-related asset serving headlines featured on Globalcustodian.com – plans were hatched to launch a new survey assessing the level of service provision of custodians and fund administrators in this market.

With this being Global Custodian's first brand new survey for several years, the questionnaire was developed following extensive consultation with ETF industry experts to deliver a set of questions that not only focused on the standard functions

of a custodian and fund administrator – such as client service, fund accounting, middle-office, technology etc – but also on more specific services related to ETFs – such as basket services, reporting to institutional investors and authorised participants, and ETF servicing models.

After a soft launch in April, the survey gathered responses from 79 ETF issuers and authorised participants globally, representing over \$2.3 trillion in AUM. Five responses were the minimum sample number required to assess a service provider adequately enough to publish their average scores, both in absolute terms and relative to the average scores in each service area.

ETF service providers play a key role in facilitating the primary market process through their roles as transfer agent, fund administrator and custodian. They also help Authorised Participants – otherwise known as market makers – fulfil their role in providing liquidity and reducing the overall costs for investors.

Table 1 indicates the average collective scores by service category of the eight

Table 1

Category	Average Score	Minimum	Maximum	Range
Client Service	5.59	3.33	6.38	3.05
Compliance Support	5.64	4.00	6.29	2.29
ETF Basket Services	5.69	3.50	6.86	3.36
ETF Servicing Model	5.76	4.67	6.38	1.71
Fund Accounting	5.68	4.67	6.43	1.76
Middle-Office Services	5.64	2.00	6.38	4.38
Onboarding/ Launch Support	5.73	4.00	6.38	2.38
Price	5.18	4.33	6.14	1.81
Reporting to Institutional Investors/ Authorised Participants	5.72	4.00	7.00	3.00
Reporting to Regulators	5.95	5.00	6.50	1.50
Technology	5.33	3.00	6.25	3.25
Transfer Agency	5.45	3.00	6.25	3.25
Total	5.60			

Table 2

Category	Europe	Asia Pacific	Americas
Client Services	5.08	5.87	6.00
Onboarding/Launch Services	4.68	5.65	6.13
ETF Basket Services	4.55	5.69	5.93
Fund Accounting	4.95	5.72	5.80
Transfer Agency	4.84	5.60	5.78
Reporting To Institutional Investors/ Authorised Participants	5.95	5.91	6.07
Reporting To Regulators	5.95	5.64	6.15
Middle-Office Services	2.80	5.85	6.00
Prices	4.20	5.17	5.44
Compliance Support	4.03	5.56	6.03
Technology	3.50	5.98	5.59
ETF Servicing Model	4.55	5.83	6.13
Future Relationship	4.14	4.78	5.89
Overall Average	4.55	5.63	5.92

providers that were rated individually in the survey, as well as the differential range of scores provided in each category. Overall, respondents as a whole felt that their business is well served by their ETF administrators and custodians with all categories rated in the 'Good' range.

Regulatory reporting achieved the highest average score (5.95) but also with the lowest range (1.50), suggesting this function is handled similarly between providers. The recent wave of regulation across the ETF space – most notably Rule 6c-11 (also known as the ETF Rule) in the US, MiFID II in Europe, and the approval of active ETFs in Hong Kong – has made reporting standards an imperative for providers.

Similarly, ETF servicing models and Reporting to Institutional Investors/Authorised Participant received high scores but with a narrow range, suggesting many of these services are performed at a similar standard across providers.

The largest range was seen in ETF Basket Services and Middle-Office Services, where providers can tap into value-added services for these functions to differentiate their offering. Meanwhile, Price received the lowest average score, but with a narrow range. This suggests there is a generally accepted price level across providers.

Table 2 shows the average scores by region, of which providers received higher ratings across the board in the Americas. This is hardly a surprise given the fact that ETF servicing has been able to mature over a longer time period in comparison to the Asia-Pacific and European markets.

Middle-Office services by providers in Europe, however, were rated particularly 'Poor', and Technology and Compliance Support also received low scores. However, the European ETF market is continuing to evolve and the migration to an international central securities depository (ICSD) settlement model will help providers and ETF issuers overcome challenges of fragmentation.

Going forward, providers will be challenged to scale and mature services for this ever-growing market. The migration

of active to passive investment is driving a greater need for efficiency, and providers will have to continue demonstrating how they can deliver an end-to-end service offering to asset managers, while also reducing the total cost of ownership for the investor.

We at Global Custodian hope this survey will provide an indication of how the ETF industry benchmark their service providers, and we look forward to expanding this survey to more providers in the years to come.

Methodology

The ETF Administration Survey asks clients to assess the services that they receive from fund administrators in a number of categories. There is only one question in each category where respondents are asked to provide a rating. This is done through a sliding scale from 'Strongly disagree' to 'Strongly agree'. In some categories there are a number of optional qualifying questions to add colour as well as an optional comment box per category.

The published results use Global Custodian's conventional seven-point scale familiar to readers of the magazine (where 1=unacceptable and 7=excellent) for each category.

In this inaugural ETF Survey, five responses are the minimum required to assess a service provider for an individual write up; however, the larger the sample size, the more robust the conclusions. For this initial survey, we have not weighted the responses by size of the respondent as measured by assets under management, but will consider doing so in 2021, depending on participant feedback.

Where a provider has received an insufficient number of responses for an individual write up, those responses nevertheless contribute to overall survey averages.

Scores in any individual service area that attract fewer than four responses are excluded from the calculations as we regard fewer than four to be an insufficient number to assess perceptions with confidence.

Where a provider has recorded three or more responses per category, average scores can be made available to the provider concerned for internal use. More granular analyses than are published may also be available to providers. For more information on bespoke reports, please contact beenish.hussain@globalcustodian.com.

BNP Paribas Securities Services

BNP Paribas Securities Services' ETF servicing business is still very much in the early phases of its development. Its main clients sit in Europe and Asia-Pacific, with one other client in Brazil. However, the bank is set to undergo a significant expansion in this area.

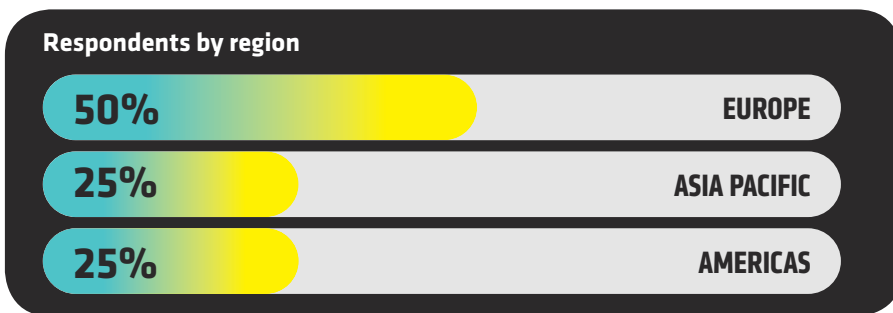
Under the leadership of Jeffrey Baccash, global head of ETF solutions – based in New York – the launch of the service is part of a wider strategy to build a new global digital portal where asset managers would be able to access valuable ETF data regardless of their domicile.

In terms of the number of responses it received, BNP Paribas was on the cusp of the minimum required for an analysis. As a result, all observations below should be regarded as tentative, since individual clients can have a significant influence on average scores.

An example of this is Client Service, where scores varied from Good to Unacceptable. One of the more critical clients made their feelings clear: “We feel we are not treated as clients. The ETF services are still behind market standards.” Another noted, “As a client, we do not see that they are speaking with one voice. We would expect more harmonisation and better client facing approach.”

However, the bank should not lose heart. “I think BNP2SS has all the

Category	BNP Paribas	Global average	Difference
Client Service	3.33	5.59	-2.25
Compliance Support	4.00	5.64	-1.64
ETF Basket Services	n/a	5.69	n/a
ETF Servicing Model	4.67	5.76	-1.09
Fund Accounting	4.67	5.68	-1.02
Middle-Office Services	2.00	5.64	-3.64
Onboarding/ Launch Support	4.00	5.73	-1.73
Price	4.33	5.18	-0.85
Reporting To Institutional Investors/ Authorised Participants	4.00	5.72	-1.72
Reporting To Regulators	6.00	5.95	0.05
Technology	3.00	5.33	-2.33
Transfer Agency	3.00	5.45	-2.45
Total	4.04	5.60	-1.56



capabilities to develop the ETF business and become competitive, but they need to react quickly as the market is evolving rapidly,” said one client.

We look forward to a broader responder sample in 2021 for BNP Paribas, allowing us to test progress in the areas identified from this year’s limited participant pool.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	-	-	33	33	-	-	33	-
Compliance Support	-	-	-	100	-	-	-	-
ETF Basket Services	-	-	-	-	-	-	-	100
ETF Servicing Model	33	-	33	-	-	33	-	-
Fund Accounting	-	33	33	-	33	-	-	-
Middle-Office Services	-	-	-	-	-	100	-	-
Onboarding/ Launch Support	-	50	-	-	-	50	-	-
Price	33	-	33	-	-	-	33	-
Reporting To Institutional Investors/ Authorised Participants	-	-	-	50	-	-	-	50
Reporting To Regulators	50	-	50	-	-	-	-	-
Technology	-	-	-	50	-	50	-	-
Transfer Agency	-	-	-	67	-	-	33	-

BNY Mellon

BNY Mellon garnered the most responses in the survey, with respondents making up over a quarter of the survey. Nearly all responses came from the US, where the bank is the second largest ETF servicer.

Improving its position in the ETF servicing market has been a key objective for the bank, after its former CEO – Charlie Scharf – suggested it had lagged behind competitors in attracting ETF business from asset managers. It has since revamped the technology underpinning its ETF servicing platform – ETF Center – and made several changes to its ETF order-taking service. Most recently, the bank introduced round-the-clock distribution services for Irish-domiciled ETFs and launched a new range of technology solutions providing end-to-end automation to support the ActiveShares semi-transparent, actively managed ETF (See p56).

Respondents appear relatively pleased with BNY Mellon's Client Service with some specifically praising their sales and relationship management representative. "Where projects require planning / coordination or client service type situations emerge, BNY participates above and beyond," said one respondent.

The bank exceeded the global average in Reporting to Regulators (6.11) and Transfer Agency (5.64), and scores were fairly consistently in the upper end of

Category	BNY Mellon	Global average	Difference
Client Service	5.55	5.59	-0.04
Compliance Support	5.38	5.64	-0.27
ETF Basket Services	5.63	5.69	-0.06
ETF Servicing Model	5.85	5.76	0.09
Fund Accounting	5.71	5.68	0.02
Middle-Office Services	5.56	5.64	-0.08
Onboarding/ Launch Support	5.75	5.73	0.02
Price	4.57	5.18	-0.61
Reporting To Institutional Investors/ Authorised Participants	5.50	5.72	-0.22
Reporting To Regulators	6.11	5.95	0.17
Technology	4.82	5.33	-0.50
Transfer Agency	5.64	5.45	0.19
Total	5.50	5.60	-0.10

Respondents by region

4%

EUROPE

ASIA PACIFIC

96%

AMERICAS

the ratings with the majority of services rated 'Good' or 'Very Good'.

However, many find room for improvement across Price, Technology, Compliance Support and Reporting

to Institutional Investors/Authorised Participants. With regards to pricing, one respondent complained that, "too much 'bundling' of fees makes it hard to compare between providers."

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	19	24	43	10	-	-	-	5
Compliance Support	10	20	40	10	-	-	-	20
ETF Basket Services	25	38	25	6	-	6	-	-
ETF Servicing Model	27	27	27	7	-	-	-	13
Fund Accounting	16	32	42	-	-	-	-	11
Middle-Office Services	10	40	30	10	-	-	-	10
Onboarding/ Launch Support	20	40	35	5	-	-	-	-
Price	13	13	31	6	13	6	-	19
Reporting To Institutional Investors/ Authorised Participants	17	33	25	-	-	8	-	17
Reporting To Regulators	27	36	18	-	-	-	-	18
Technology	11	17	39	11	6	11	-	6
Transfer Agency	7	43	21	7	-	-	-	21

Brown Brothers Harriman

As a global ETF asset servicing provider, BBH leverages three of its flagship technology platforms for asset managers and Authorised Participants (APs): ETF Connect – its online data and reporting platform; APEX Exchange – the trading platform for APs; and ETF Star – which is integrated into BBH’s core accounting system and focuses on basket and portfolio composition file (PCF) generation.

These platforms are noted by respondents, with 38% giving the firm an ‘Excellent’ score for Technology. It’s average score for Technology (5.63) beats the global average by 30 basis points. “We’ve dealt with a number of service providers over the last 20 plus years and BBH is the gold standard,” said one happy respondent.

BBH also achieved relatively high scores for Reporting to Regulators (6.50) and Client service (6.00), beating the survey average in both categories. With regard to Reporting to institutional investors/APs, one global asset management client commented that, “Overall the process works and is smooth.”

The bank fell short of the global survey average in Price (4.86), Middle Office Services (5.00) and Fund Accounting (5.14). “BBH is more rigid in terms of implementing new processes, as they are hesitant to perform tasks outside of their automated system,” one client said about BBH’s fund accounting. “Ad

Category	BBH	Global average	Difference
Client Service	6.00	5.59	0.41
Compliance Support	5.60	5.64	-0.04
ETF Basket Services	5.40	5.69	-0.29
ETF Servicing Model	5.89	5.76	0.13
Fund Accounting	5.14	5.68	-0.54
Middle-Office Services	5.00	5.64	-0.64
Onboarding/ Launch Support	5.70	5.73	-0.03
Price	4.86	5.18	-0.32
Reporting To Institutional Investors/ Authorised Participants	5.80	5.72	0.08
Reporting To Regulators	6.50	5.95	0.55
Technology	5.63	5.33	0.30
Transfer Agency	5.67	5.45	0.22
Total	5.62	5.60	0.03



hoc queries can take a little longer than expectation.”

For BBH to retain the business of its clients, one respondent explains the

bank must continue to be a leading voice in the ETF community, with a proactive attitude towards pricing and internal development.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	36	27	36	-	-	-	-	-
Compliance Support	40	20	-	40	-	-	-	-
ETF Basket Services	20	40	20	-	20	-	-	-
ETF Servicing Model	33	22	44	-	-	-	-	-
Fund Accounting	25	13	25	13	-	13	-	13
Middle-Office Services	-	33	-	33	-	-	-	33
Onboarding/ Launch Support	27	27	18	18	-	-	-	9
Price	25	13	13	13	13	13	-	13
Reporting To Institutional Investors/ Authorised Participants	20	40	40	-	-	-	-	-
Reporting To Regulators	17	17	-	-	-	-	-	67
Technology	38	13	38	-	13	-	-	-
Transfer Agency	33	33	11	11	11	-	-	-

Citi

Citi recently completed the rollout of its European ETF administration business, providing the US bank with a fully global ETF servicing offering for asset managers. That being said, the majority of Citi's responses came from clients based in the Asia-Pacific region, with two others from the US.

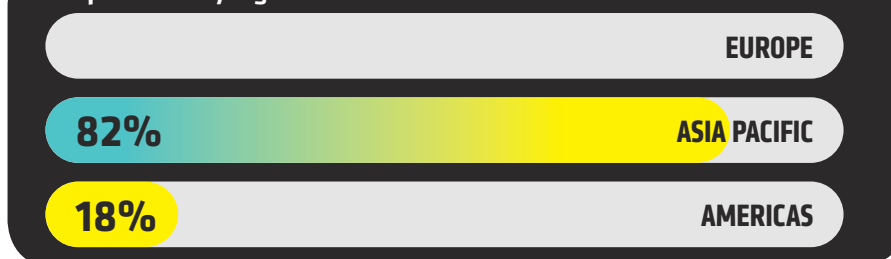
The rollout of the European business was supported by the bank's newly launched Advanced Citi ETF Systems (ACES), its flagship technology platform that fully automates the entire ETF lifecycle. The commitment to technology has paid off for Citi; its score for Technology (6.20) beat the survey average by 87 basis points. "Citi's technological capabilities are second to none and they...continuously hone their offerings as some of the most cutting edge in the industry," one client enthused.

The majority of respondents were in agreement about Citi's Middle Office Services which 86% of clients rated as 'Very good'. The US bank was among the first of the global custodians to accept ETFs as collateral in their agency securities lending transactions. Another area of particular note was Transfer Agency (6.20), where Citi beat the survey average by 75 basis points, the majority of respondents rating it either 'Excellent' or 'Very good'.

While ETF Basket Services fell marginally below the survey average, one

Category	Citi	Global average	Difference
Client Service	5.38	5.59	-0.21
Compliance Support	5.80	5.64	0.16
ETF Basket Services	5.50	5.69	-0.19
ETF Servicing Model	6.00	5.76	0.24
Fund Accounting	5.88	5.68	0.19
Middle-Office Services	5.86	5.64	0.22
Onboarding/ Launch Support	5.63	5.73	-0.10
Price	5.29	5.18	0.10
Reporting To Institutional Investors/ Authorised Participants	5.75	5.72	0.03
Reporting To Regulators	6.25	5.95	0.30
Technology	6.20	5.33	0.87
Transfer Agency	6.20	5.45	0.75
Total	5.74	5.60	0.15

Respondents by region



client was particularly happy with Citi's services in this area: "We think of Citi ETF Operations as an extension of our

own team as we work very closely with them on almost a daily basis to ensure baskets are accurate and timely."

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	13	25	50	13	-	-	-	-
Compliance Support	20	40	40	-	-	-	-	-
ETF Basket Services	13	25	25	13	-	-	-	25
ETF Servicing Model	17	67	17	-	-	-	-	-
Fund Accounting	13	63	25	-	-	-	-	-
Middle-Office Services	-	86	14	-	-	-	-	-
Onboarding/ Launch Support	25	38	13	25	-	-	-	-
Price	14	29	29	29	-	-	-	-
Reporting To Institutional Investors/ Authorised Participants	25	50	-	25	-	-	-	-
Reporting To Regulators	25	75	-	-	-	-	-	-
Technology	20	80	-	-	-	-	-	-
Transfer Agency	40	40	20	-	-	-	-	-

HSBC Securities Services

With HSBC being such an emerging markets-focused bank, it is no surprise that most of its responses are from Asia-Pacific-based clients. The bank is positioning itself carefully as the Asian ETF market continues to take off. Assets under management (AuM) in Asian ETFs stood at nearly \$650 billion as of the end of October 2019, doubling in size from 2015.

A major focus for HSBC has been to create a globalised ETF product offering, enabling APAC-based managers to overcome certain time-zone challenges and reach US investors. “HSBC has proven to be a trustworthy partner able to adapt to our business needs when we enter new markets,” said one Hong Kong-based client.

The majority of responses for HSBC’s services centred in the ‘Good’ and ‘Very good’ range. Its best performance was in ETF Basket Services, Fund Accounting, and Reporting to Institutional Investors/APs where it achieved 6.00 for the three categories. It also received several positive comments for its Onboarding/ Launch Support Services, where it was praised for quick turnaround times and speed to market, and it surpassed the global average in Client Service.

Where it fell short was in Reporting to Regulators, where its score (5.00) fell 95 basis points behind the survey average. “We’d like to see HSBC take on

Category	HSBC	Global average	Difference
Client Service	5.75	5.59	0.16
Compliance Support	5.33	5.64	-0.31
ETF Basket Services	6.00	5.69	0.31
ETF Servicing Model	5.29	5.76	-0.47
Fund Accounting	6.00	5.68	0.32
Middle-Office Services	5.33	5.64	-0.31
Onboarding/ Launch Support	5.57	5.73	-0.16
Price	5.29	5.18	0.11
Reporting To Institutional Investors/ Authorised Participants	6.00	5.72	0.28
Reporting To Regulators	5.00	5.95	-0.95
Technology	5.60	5.33	0.27
Transfer Agency	4.71	5.45	-0.74
Total	5.44	5.60	-0.16

Respondents by region

31%

EUROPE

69%

ASIA PACIFIC

AMERICAS

a more active role in AEOI reporting for HK funds launched with their trustee,” explained one respondent. Its score in

Transfer Agency (4.71) was brought down by one client who believed its services in this area were ‘Very Weak’.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	12	50	38	-	-	-	-	-
Compliance Support	-	33	67	-	-	-	-	-
ETF Basket Services	25	25	25	-	-	-	-	25
ETF Servicing Model	-	57	29	-	14	-	-	-
Fund Accounting	29	43	29	-	-	-	-	-
Middle-Office Services	33	-	33	33	-	-	-	-
Onboarding/ Launch Support	14	57	-	29	-	-	-	-
Price	-	29	71	-	-	-	-	-
Reporting To Institutional Investors/ Authorised Participants	25	50	25	-	-	-	-	-
Reporting To Regulators	-	33	33	33	-	-	-	-
Technology	-	60	40	-	-	-	-	-
Transfer Agency	-	29	43	14	-	14	-	-

JP Morgan

The development of JP Morgan's ETF servicing business has been a key focus since 2016 when its chief executive of the Corporate and Investment Bank (CIB), Daniel Pinto, outlined plans to increase investment into its ETF platform.

The bank is now the third largest ETF administrator, only narrowly behind BNY Mellon, and offers funds a full range of services such as custody, order taking, basket construction and fund administration. Its clients are largely based in the US – where the majority of its respondents are based too – though it does have a significant number of APAC-based clients.

Since the approval of the semi-transparent, actively managed ETF in the US, JP Morgan has begun adapting its operating model to cater for these new ETFs, while also introducing custom creation/redemption baskets for all ETFs following the passing of the SEC's ETF Rule last year.

The US bank outperformed in all categories except one – Reporting to Institutional Investors/APs (5.00).

“JP Morgan is a very strong partner for our ETF business,” said one global asset management client. “The operating model and service is very strong and scaleable to support the growth of our business. Staff is heavily engaged and consultative in complex issues associated with ETFs.”

Category	J.P Morgan	Global average	Difference
Client Service	6.00	5.59	0.41
Compliance Support	6.00	5.64	0.36
ETF Basket Services	6.20	5.69	0.51
ETF Servicing Model	6.00	5.76	0.24
Fund Accounting	6.00	5.68	0.32
Middle-Office Services	6.00	5.64	0.36
Onboarding/ Launch Support	5.80	5.73	0.07
Price	6.00	5.18	0.82
Reporting To Institutional Investors/ Authorised Participants	5.00	5.72	-0.72
Reporting To Regulators	6.25	5.95	0.30
Technology	6.00	5.33	0.67
Transfer Agency	6.00	5.45	0.55
Total	5.94	5.60	0.34

Respondents by region



JPM also received several ‘Excellent’ and ‘Very good’ scores in Reporting to Regulators, Fund Accounting, ETF Basket Services, Technology and Client

Service, receiving positive comments on its ETF servicing model. “Order taking and assistance in basket construction are very strong,” said one client.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	20	60	20	-	-	-	-	-
Compliance Support	25	50	25	-	-	-	-	-
ETF Basket Services	40	40	20	-	-	-	-	-
ETF Servicing Model	20	60	20	-	-	-	-	-
Fund Accounting	40	-	40	-	-	-	-	20
Middle-Office Services	33	-	33	-	-	-	-	33
Onboarding/ Launch Support	20	-	40	-	-	-	-	-
Price	25	50	25	-	-	-	-	-
Reporting To Institutional Investors/ Authorised Participants	-	25	25	25	-	-	-	25
Reporting To Regulators	50	25	25	-	-	-	-	-
Technology	20	60	20	-	-	-	-	-
Transfer Agency	20	40	20	-	-	-	-	20

RBC I&TS

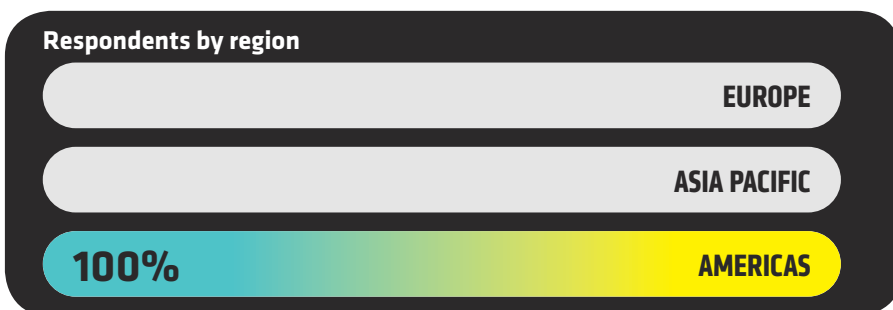
The majority of RBC Investor & Treasury Services' (RBC I&TS) ETF client base is domiciled in Canada; however, it does have some significant clients in Europe, notably in Ireland and the Nordics.

Over the past few years, RBC I&TS has also won ETF servicing mandates from some unique asset managers, including one from Coin Capital – the investment management firm of digital assets trading platform Coinsquare – to provide services to their ETFs which focus on emerging technologies such as AI and nanotech.

RBC I&TS outperformed in every category aside from Transfer Agency, for which it does not provide services. Its most striking performance was in Reporting to Institutional Investors/APs where it recorded a perfect score (7.00). It also came close for ETF Basket Services (6.86), where it surpassed the global average by 117 basis points. “The ETF team worked with us to ensure delivery of the baskets was provided as required and worked with our designated broker to resolve any discrepancies,” said one respondent.

Clients found a range of services faultless, including Client Service where one respondent applauded RBC’s relationship management team: “The relationship management services and the ETF administration services are very pro-active and interactive throughout the business day not just at end-of-day. Top tier,” the

Category	RBC	Global average	Difference
Client Service	6.38	5.59	0.79
Compliance Support	6.29	5.64	0.64
ETF Basket Services	6.86	5.69	1.17
ETF Servicing Model	6.38	5.76	0.62
Fund Accounting	6.43	5.68	0.75
Middle-Office Services	6.38	5.64	0.74
Onboarding/ Launch Support	6.38	5.73	0.65
Price	6.14	5.18	0.96
Reporting To Institutional Investors/ Authorised Participants	7.00	5.72	1.28
Reporting To Regulators	6.20	5.95	0.25
Technology	6.25	5.33	0.92
Transfer Agency	n/a	5.45	n/a
Total	6.42	5.60	0.82



client added.

It also received several positive comments on its Middle-Office Services (6.38), and for Fund Accounting (6.43)

where one client said “RBC I&TS has dedicated ETF Fund Accounting teams that understand the unique valuation nuances of ETFs.”

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	75	-	13	13	-	-	-	-
Compliance Support	71	-	14	14	-	-	-	-
ETF Basket Services	86	14	-	-	-	-	-	-
ETF Servicing Model	75	-	13	13	-	-	-	-
Fund Accounting	71	14	-	14	-	-	-	-
Middle-Office Services	75	-	13	13	-	-	-	-
Onboarding/ Launch Support	75	-	13	13	-	-	-	-
Price	57	14	14	14	-	-	-	-
Reporting To Institutional Investors/ Authorised Participants	100	-	-	-	-	-	-	-
Reporting To Regulators	60	20	-	20	-	-	-	-
Technology	75	-	13	-	13	-	-	-
Transfer Agency	-	-	-	-	-	-	-	100

State Street

State Street is the largest ETF custodian and fund administrator, servicing approximately 70% of the US ETF market with \$3.5 trillion of ETF assets under administration (AuA) globally. It boasts some of the largest names in the ETF community as its clients, not to mention its own asset management arm – State Street Global Advisors – which is the third largest ETF issuer. It is also positioning itself to capture a potential flow of assets into the semi-transparent, actively managed ETF structure (see p56).

Given its dominant position, clients appear to rate the Boston-based bank relatively harshly. It outperformed the survey average in one category – Price (5.33) – but fell behind in a number of areas.

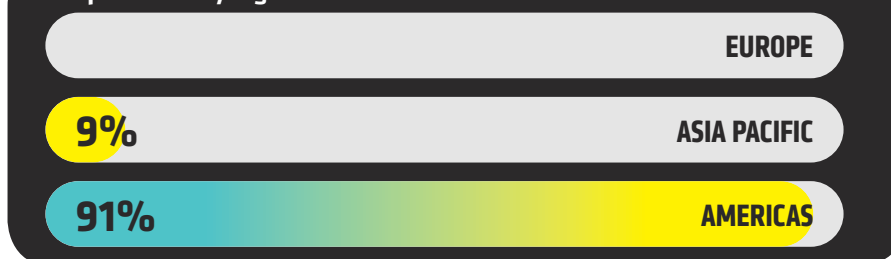
One score State Street can take some comfort in is in Client Service (5.38), where it received ratings between ‘Excellent’ and ‘Good’ from over three quarters of respondents.

Its lowest score was in Compliance Support (4.33). One respondent said they would “appreciate more robust custodial oversight and reporting related to an ETF’s ability to comply with Section 22e (the ETF Rule) by ensuring/monitoring that basket redemptions settle within the required time frame.”

The bank received a Satisfactory score for Technology (4.88) but was 45 basis points lower than the survey average. Meanwhile, its score for ETF Basket

Category	State Street	Global average	Difference
Client Service	5.38	5.59	-0.21
Compliance Support	4.33	5.64	-1.31
ETF Basket Services	5.14	5.69	-0.54
ETF Servicing Model	5.38	5.76	-0.38
Fund Accounting	5.14	5.68	-0.54
Middle-Office Services	5.33	5.64	-0.31
Onboarding/ Launch Support	5.57	5.73	-0.16
Price	5.33	5.18	0.15
Reporting To Institutional Investors/ Authorised Participants	n/a	5.72	n/a
Reporting To Regulators	5.40	5.95	-0.55
Technology	4.88	5.33	-0.45
Transfer Agency	5.20	5.45	-0.25
Total	5.20	5.60	-0.40

Respondents by region



Services, though Good in aggregate (5.14), was brought down by one particularly negative rating. That said, the majority

of clients felt service for this category was ‘Very Good’, with one also rating it ‘Excellent’.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	25	38	25	-	-	-	13	-
Compliance Support	-	25	25	-	-	25	-	25
ETF Basket Services	-	43	29	29	-	-	-	-
ETF Servicing Model	13	13	13	-	-	-	13	-
Fund Accounting	-	29	57	14	-	-	-	-
Middle-Office Services	-	33	67	-	-	-	-	-
Onboarding/ Launch Support	29	14	43	14	-	-	-	-
Price	-	67	-	33	-	-	-	-
Reporting To Institutional Investors/ Authorised Participants	-	-	-	-	-	-	-	100
Reporting To Regulators	20	40	-	40	-	-	-	-
Technology	-	25	63	-	-	13	-	-
Transfer Agency	-	40	40	20	-	-	-	-

Other

Global Custodian did receive responses from four other providers – CIBC Mellon, SEI, Ultimus Fund Solutions, and U.S. Bank, none of whom, however, meet the necessary number of responses required for a full individual write up. That being said, their scores did make a contribution to the overall global survey average for each category and collectively provide a benchmark against which services can be judged.

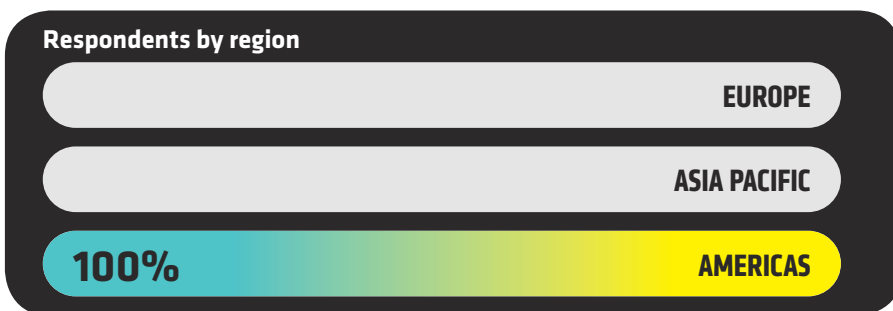
In addition, the ETF issuers that rated these providers also hold considerable weight, collectively managing nearly \$20 billion in assets in the US and Canada and use a multi-service provider model.

Services provided by these firms varied considerably and many do not make a comprehensive offering available in ETF Administration, particularly in areas such as ETF Basket Services and Middle Office Services. By contrast, there were some significant high scores that boosted the global average in a number of categories, including Compliance Support (6.33), Fund Accounting (6.00), On-boarding and Launch Support (6.00), and Transfer Agency (6.00).

Yet it appears Technology (4.50) and Client Service (4.33) require maturation, with one client explaining, “[They] would like additional technology initiatives to enhance client reporting at this organisation.”

Nevertheless, the majority of the

Category	Other	Global average	Difference
Client Service	4.33	5.59	-1.26
Compliance Support	6.33	5.64	0.69
ETF Basket Services	n/a	5.69	n/a
ETF Servicing Model	6.00	5.76	0.24
Fund Accounting	6.00	5.68	0.32
Middle-Office Services	n/a	5.64	n/a
Onboarding/ Launch Support	6.00	5.73	0.27
Price	6.00	5.18	0.82
Reporting To Institutional Investors/ Authorised Participants	n/a	5.72	n/a
Reporting To Regulators	5.67	5.95	-0.28
Technology	4.50	5.33	-0.83
Transfer Agency	6.00	5.45	0.55
Total	5.40	5.60	-0.20



categories that they do provide services for received positive marks, particularly around Price (6.00) and ETF Servicing Model (6.00).

Based on these scores, Technology and

Client Service remain areas of potential competitive differentiation. The relative positioning of these providers may become more evident with greater survey participation in 2021.

Spread of opinion	Excellent (%)	Very good (%)	Good (%)	Satisfactory (%)	Weak (%)	Very weak (%)	Unacceptable (%)	N/A (%)
Client Service	33	-	33	-	-	-	33	-
Compliance Support	33	67	-	-	-	-	-	-
ETF Basket Services	-	-	-	-	-	-	-	100
ETF Servicing Model	50	-	50	-	-	-	-	-
Fund Accounting	-	100	-	-	-	-	-	-
Onboarding/ Launch Support	33	-	33	-	-	-	-	33
Price	50	-	50	-	-	-	-	-
Reporting to Institutional Investors/ Authorised Participants	-	-	-	-	-	-	-	100
Reporting to Regulators	33	-	67	-	-	-	-	-
Technology	50	-	-	-	-	50	-	-