

The
2023
ETF
ADMINISTRATION
SURVEY

This year marks the 30th anniversary of the first ever exchange traded fund (ETF) – issued by State Street Global Advisors back in 1993.

Over those 30 years, the landscape for ETFs has shifted and evolved as regulatory changes and product popularity have continued to shape and reshape the makeup of the market. As highlighted in our ETF feature on page 56, that pace of evolution is certainly accelerating in recent years. New facets and sub-trends are emerging all the time, placing increased pressure on servicers to satisfy the needs of their clients.

“We must be able to create new or tweak existing operating models to support product innovation,” Shawn McNinch, global ETF product and sales head at BBH, told Global Custodian. “In ETFs, there’s a lot of nuanced products and we must be nimble and flexible with our operating model and technology to support that.”

That increased expectation from clients has perhaps impacted their view of the services they receive, with the total average score across this year’s ETF Administration Survey falling below 6.00 for the first time since 2020. Scores in every category declined from last year, except for Compliance Support, which rose 0.10 points to 6.14. Technology (5.56) and Price (5.52), two key details for clients when selecting a provider, received the lowest average scores.

Drawing responses from firms globally, this fourth annual ETF Administration Survey serves as an industry benchmark of service providers in the ETF sector.

Looking ahead, projections for the future may vary from different sectors

of the market, but one thing is agreed on: there will be significant growth. BBH’s recent investor survey predicts that global ETF assets will treble in the next 10 years. We may even see our own survey evolve in the future to track that

growth and development – watch this space.

As ever, we appreciate feedback from both providers and clients as we look to further develop the size and scope of the survey in the future.

WORK TO BE DONE

Client opinion in the ETF market falters as expectations are higher than ever for servicers.



Methodology

The ETF Administration Survey asks clients to assess the services they receive from custodians and fund administrators in several 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 'Unacceptable' to 'Excellent'. The published results use Global Custodian's conventional seven-point scale familiar to readers of the magazine (where 1 = Unacceptable and 7 = Excellent). In this year's ETF Administration Survey, five responses are the minimum required to assess a service provider for an individual write up. Where a provider receives an insufficient number of responses for an individual write up, those responses nevertheless

contribute to overall survey averages.

The box-and-whisker plots on the following pages show at a glance the distribution of responses received for each category. The two sections of the box represent where most of individual ratings lie, while the 'whiskers' indicate the highest and lowest scores received. The horizontal line through the box represents the median, and the 'X' signifies the average score. 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.

BNY Mellon

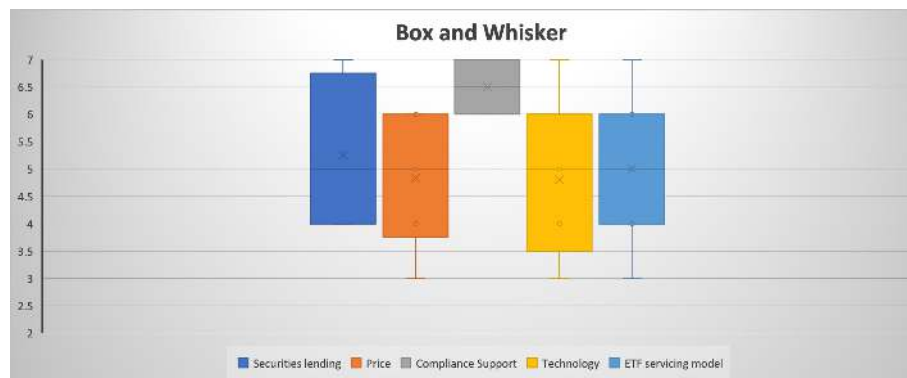
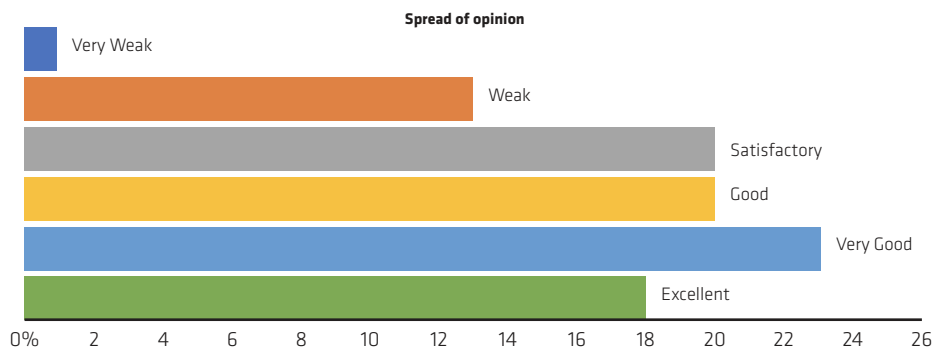
BNY Mellon	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	4.86	5.76	5.83	-0.97
Onboarding/ Launch Support	4.86	6.18	5.89	-1.03
ETF Basket Services	5.00	6.15	5.88	-0.88
Fund Accounting	5.00	6.09	5.82	-0.82
Reporting to Institutional Investors/ Authorised Participants	4.80	5.95	5.54	-0.74
ETF Workflow Process	5.17	6.13	5.77	-0.60
Securities Lending	5.25	6.38	5.84	-0.59
Price	4.83	5.86	5.52	-0.69
Compliance Support	6.50	6.10	6.14	0.36
Technology	4.80	5.94	5.56	-0.76
ETF Servicing Model	5.00	6.17	5.78	-0.78
Average	5.10	6.06	5.78	-0.68

For the first time, this year BNY Mellon and CIBC Mellon have each passed the threshold for individual write-ups – revealing an evident distinction between the two related providers. While CIBC's responses came exclusively from Canada, BNY saw submissions from across three continents – North America, Europe and Asia.

This year, BNY Mellon recorded an unusual set of results. While its average score across all categories was 5.10 – within Good range (5.00-5.99), its individual category scores were below the market average, except in the case of Compliance Support, which scored very highly (6.50). Taken together, scores represent a decline (-0.96) from the bank's total average score in 2022, when it received Very Good or Excellent ratings across seven of the 11 categories.

Categories where clients felt BNY Mellon could most improve were Client Service (4.86), Onboarding/Launch Support (4.86), Reporting to Institutional Investors/APs (4.80), Price (4.83), and Technology (4.80).

Looking across the individual data points within the ratings, while just under 20% equated to Excellent, over a third were either Satisfactory or Weak. Several respondents see clear room for improvement in a number of areas, though the bank also received some very positive comment in others in others. Data in particular, drew encouraging feedback, with praise for the firm's "accurate and timely dissemination" of pricing data.



CIBC Mellon

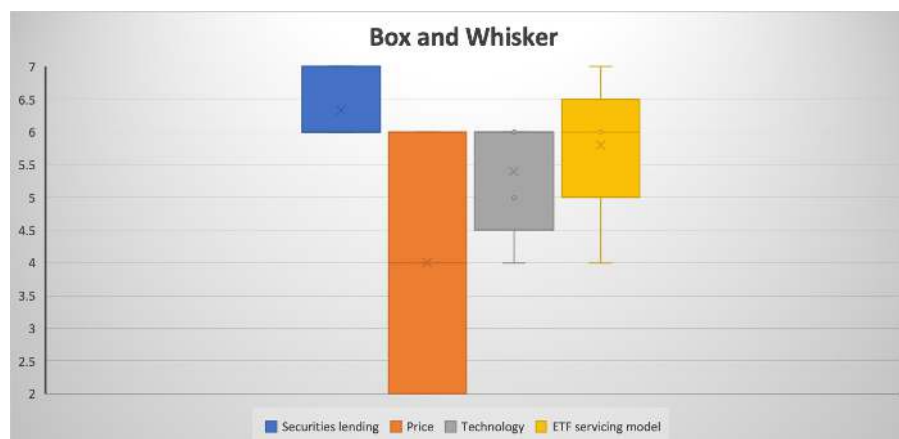
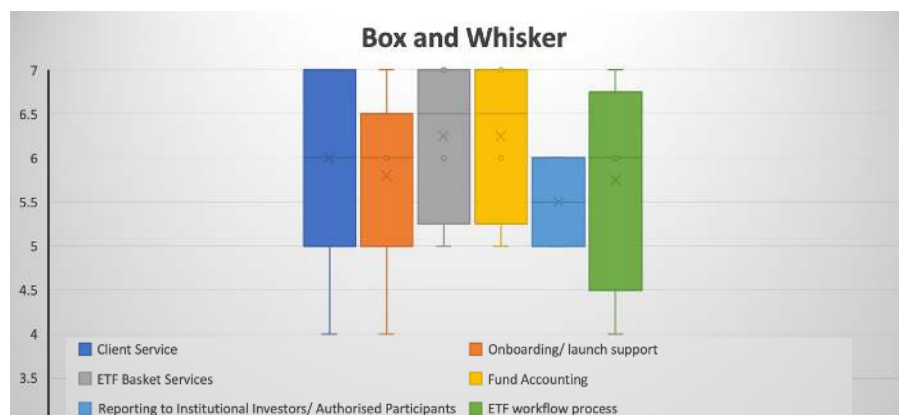
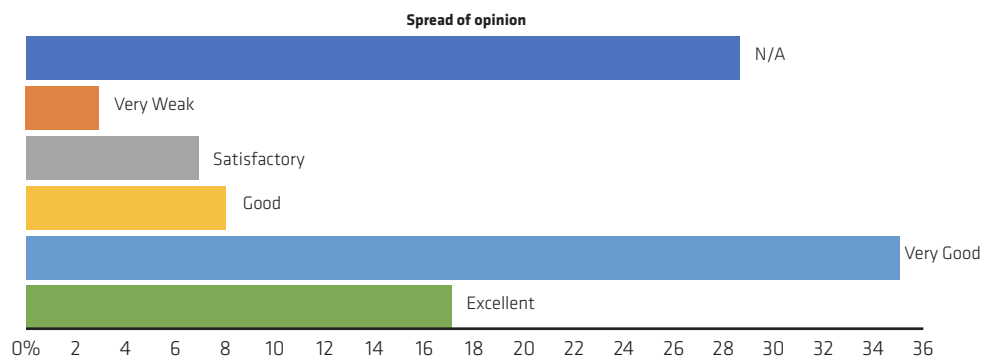
CIBC Mellon	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	6.00	5.95	5.83	0.17
Onboarding/ Launch Support	5.80	6.00	5.89	-0.09
ETF Basket Services	6.25	5.32	5.88	0.37
Fund Accounting	6.25	5.94	5.82	0.43
Reporting to Institutional Investors/ Authorised Participants	5.50	5.38	5.54	-0.04
ETF Workflow Process	5.75	5.40	5.77	-0.02
Securities Lending	6.33	5.79	5.84	0.49
Price	4.00	5.43	5.52	-1.52
Compliance Support	N/A	5.63	6.14	N/A
Technology	5.40	5.71	5.56	-0.16
ETF Servicing Model	5.80	5.53	5.78	0.02
Average	5.71	5.64	5.78	-0.03

CIBC Mellon's first entry in the ETF administration survey as a separate entity to its parent firm has yielded largely positive results, with over half of clients rating the overall service from the bank as Very Good or Excellent.

CIBC Mellon, which has approximately C\$91 billion in ETF assets under administration, has identified the space as a key growth market in the next two years, moving quickly to support the evolving needs of clients. In 2022, the servicer launched the first exchange-traded bitcoin and ether funds in Canada in response to the rising demand for digital asset products.

Back to this year's survey results, and the standout categories for CIBC Mellon were Client Service, ETF Basket Services, Fund Accounting, and Securities Lending – each receiving a rating in the Very Good to Excellent range. Securities Lending (6.33) scored particularly highly, with one client praising the communication from the team on areas such as revenue opportunities, education around transactions and support in avoiding settlement delays.

Price proved to be the Achilles heel for CIBC Mellon this year, with a score of 4.00 pulling the bank's score across all categories slightly below the survey average mark. This was chiefly driven by one client, who added that “the current fee rate is far too high”.





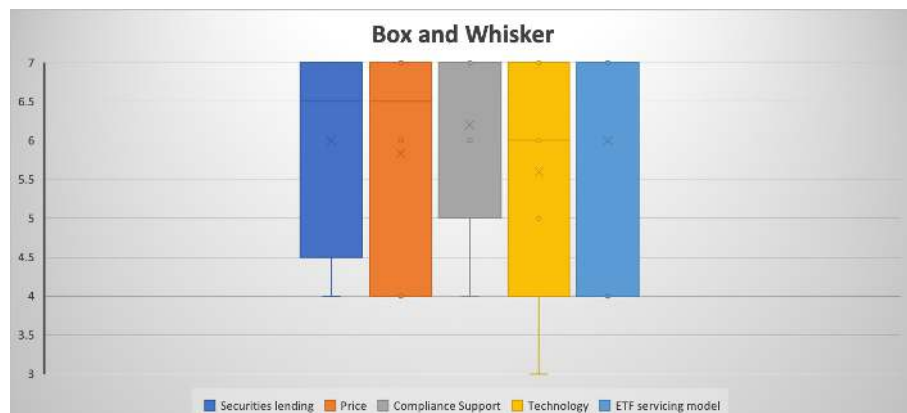
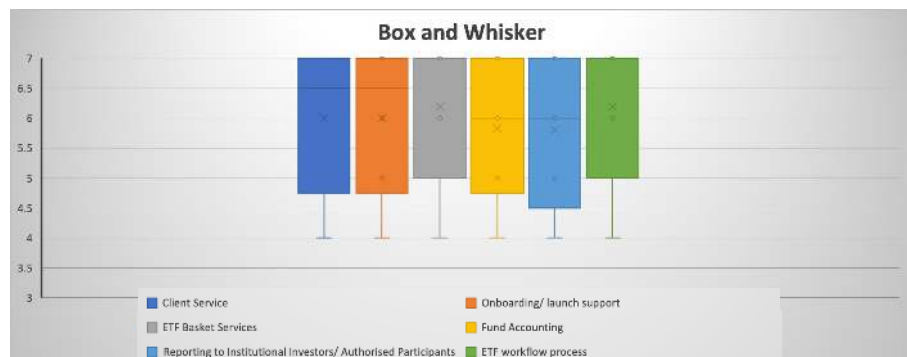
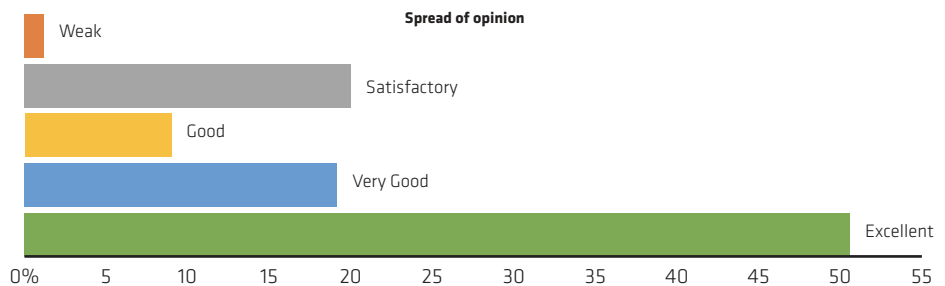
Citi	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	6.00	5.97	5.83	0.17
Onboarding/ Launch Support	6.00	5.65	5.89	0.11
ETF Basket Services	6.20	6.07	5.88	0.32
Fund Accounting	5.83	5.67	5.82	0.01
Reporting to Institutional Investors/ Authorised Participants	5.80	5.93	5.54	0.26
ETF Workflow Process	6.20	6.36	5.77	0.43
Securities Lending	6.00	6.06	5.84	0.16
Price	5.83	5.93	5.52	0.31
Compliance Support	6.20	5.94	6.14	0.06
Technology	5.60	5.67	5.56	0.04
ETF Servicing Model	6.00	6.03	5.78	0.22
Average	5.97	5.93	5.78	0.19

Citi has improved its total average score for a second year running in the ETF Administration survey, with clients across the board generally very happy with the service they receive.

One client went so far as to describe the Citi ETF operations team as “an extension of our own team”, adding that the bank has “made our lives easier knowing we can rely on them day in and day out for these services”.

Comments such as this one were plentiful across the surveyed firms, evident in the fact that 51% of individual ratings garnered an Excellent score. A further 19% rated the services as Very Good. Seven out of the 11 categories were rated at 6.00 or higher, up from four last year. ETF Workflow Process (6.20) scored particularly highly, 0.43 points above the global average.

The last year has seen Citi expand its offering and reach in the ETF space. The servicer continued to facilitate the accelerating trend of mutual fund to ETF conversions, and recently year picked up a mandate from Fubon Fund Management (Hong Kong) for its latest ETF – further establishing its presence in the APAC market.



HSBC Markets & Securities Services

HSBC	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	5.63	6.83	5.83	-0.20
Onboarding/ Launch Support	5.71	6.32	5.89	-0.18
ETF Basket Services	5.00	6.71	5.88	-0.88
Fund Accounting	6.29	6.46	5.82	0.47
Reporting to Institutional Investors/ Authorised Participants	6.00	6.67	5.54	0.46
ETF Workflow Process	5.63	7.00	5.77	-0.14
Securities Lending	6.00	5.64	5.84	0.16
Price	6.00	6.67	5.52	0.48
Compliance Support	5.83	6.57	6.14	-0.31
Technology	5.83	6.54	5.56	0.27
ETF Servicing Model	5.67	6.63	5.78	-0.11
Average	5.78	6.55	5.78	0.00

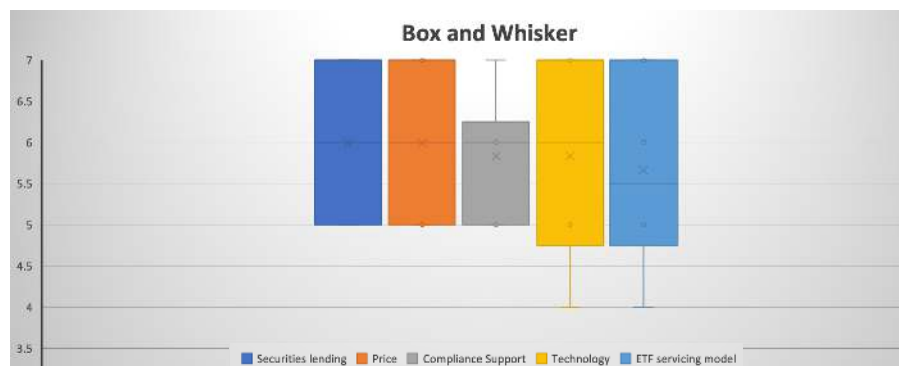
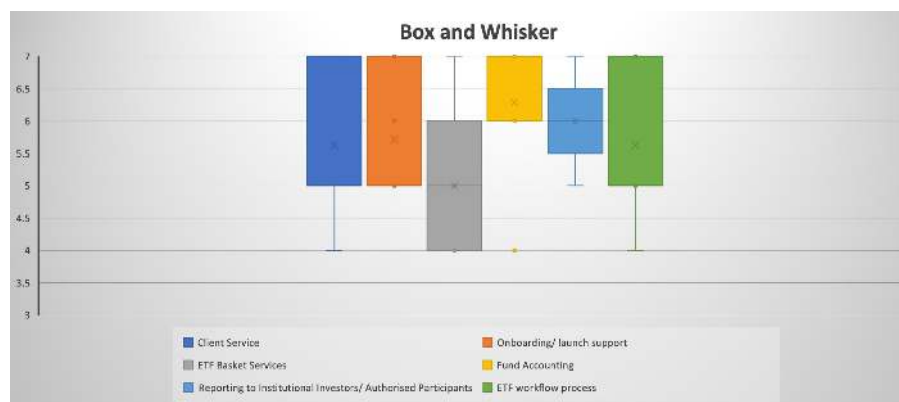
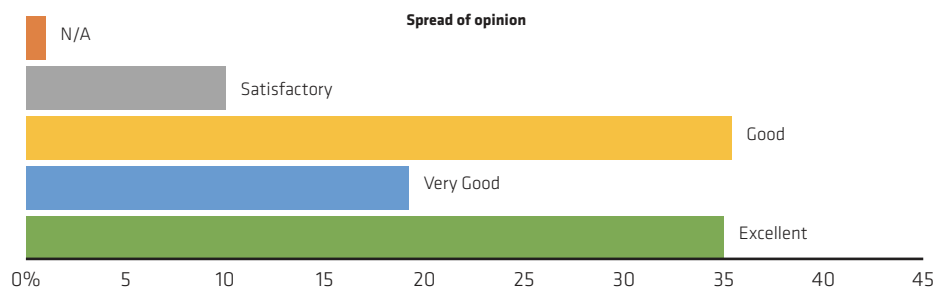
Following a strong performance in 2022's survey, HSBC has this year posted a more middle-of-the-road score, landing there or thereabouts with the global average in each of the service categories.

Areas the bank excelled in were Fund Accounting, Reporting to Institutional Investors/APs, Securities Lending, and Price, each receiving scores in the Very Good to Excellent range. Fund Accounting (6.29) scored particularly highly, with one client acknowledging that the relevant team provide "high quality reports and deliver on time".

Conversely, while the bank saw year-on-year declines in the majority of categories due to its strong 2022 results, Client Service (-1.2), ETF Basket Services (-1.71) and ETF Workflow Process (-1.37) saw the most significant of falls – with Basket Services now sitting 0.88 below the global market average at 5.00.

On the whole, clients were pleased with the ETF administration services provided by HSBC. More than a third of individual category ratings were Excellent (7.0), while a further 44% regarded the services as Good or Very Good.

Accompanying comments reflected that sentiment, with one client confident that "the wide variety of service, capability and highly experienced teams at HSBC will continue to assist us on the increasing complexity of the ETF market in the future".



JP Morgan

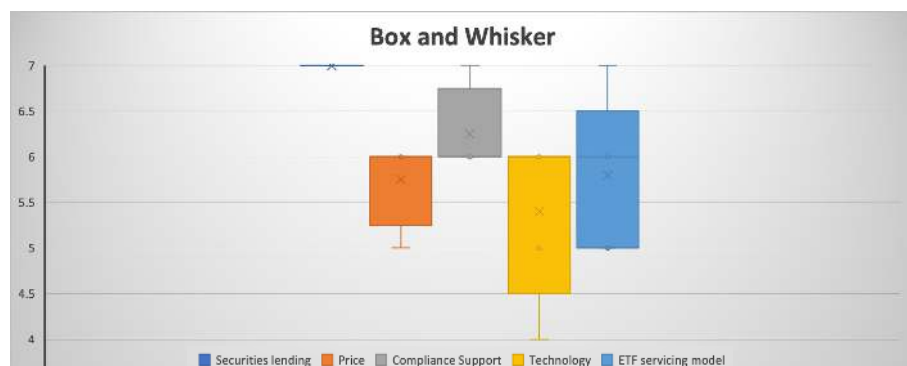
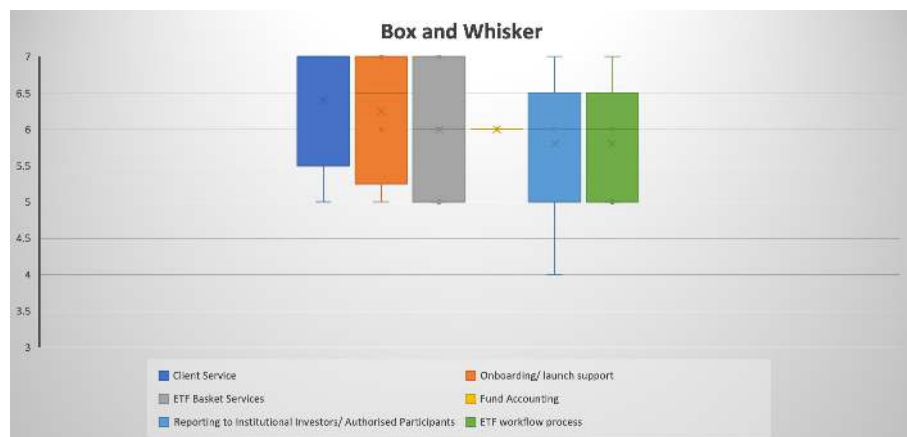
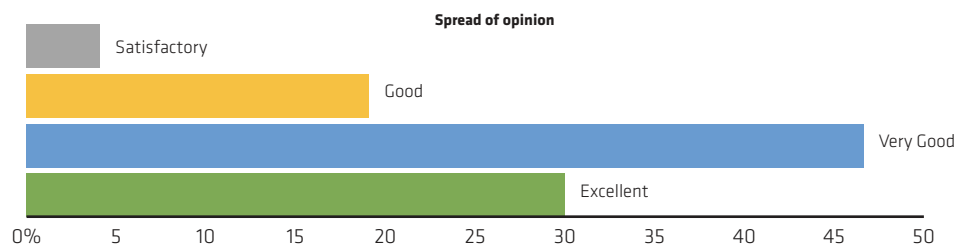
JP Morgan	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	6.40	6.00	5.83	0.57
Onboarding/ Launch Support	6.25	6.75	5.89	0.36
ETF Basket Services	6.00	6.40	5.88	0.12
Fund Accounting	6.00	6.25	5.82	0.18
Reporting to Institutional Investors/ Authorised Participants	5.80	6.40	5.54	0.26
ETF Workflow Process	5.80	6.40	5.77	0.03
Securities Lending	7.00	7.00	5.84	1.16
Price	5.75	5.33	5.52	0.23
Compliance Support	6.25	6.00	6.14	0.11
Technology	5.40	5.80	5.56	-0.16
ETF Servicing Model	5.80	6.20	5.78	0.02
Average	6.04	6.23	5.78	0.26

Despite a decline in its overall score from 2022, JP Morgan still maintained a healthy margin over the global average, with all but one category scoring above the market average.

The bank's Securities Lending offering continues to be a driver of its survey performance, achieving a maximum score for the second year in a row. Client Service (6.40), Onboarding/Launch Support (6.25) and Compliance Support (6.25) were other standout results.

Technology (5.40) was the only category where JP Morgan dipped below the market average (5.56), with multiple respondents citing a number of technological pain points. Notably, the bank's collateral service was singled out for improvement, with one client saying the process was "very manual and causes additional work on our side".

Aside from tech, clients were generally very positive about the service they receive from JP Morgan – more than three quarters of survey data points rated the bank as Excellent or Very Good. Support, responsiveness and organisation were among the key positives highlighted by clients in the accompanying comments.



RBC Investor Services

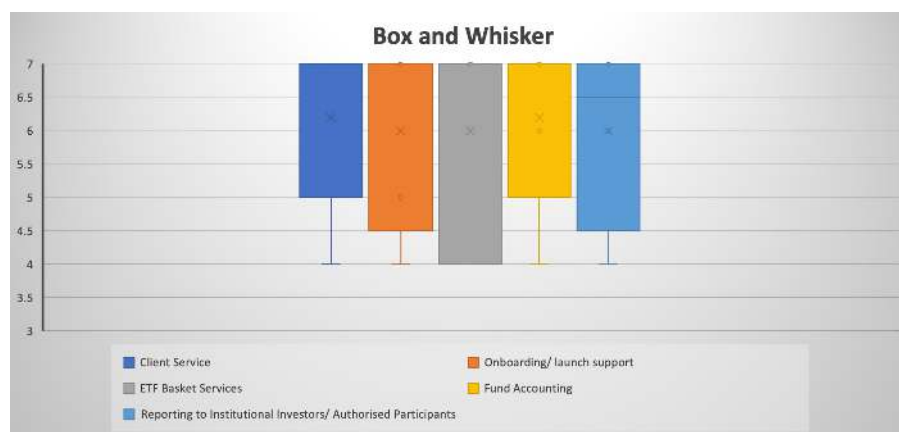
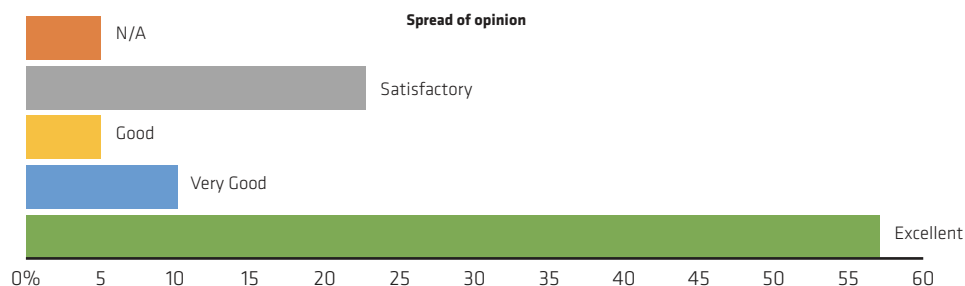
RBC Investor Services	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	6.20	6.33	5.83	0.37
Onboarding/ Launch Support	6.00	6.17	5.89	0.11
ETF Basket Services	6.00	7.00	5.88	0.12
Fund Accounting	6.20	6.17	5.82	0.38
Reporting to Institutional Investors/ Authorised Participants	6.00	6.67	5.54	0.46
ETF Workflow Process	6.20	6.17	5.77	0.43
Securities Lending	6.00	7.00	5.84	0.16
Price	6.00	6.00	5.52	0.48
Compliance Support	5.75	6.50	6.14	-0.39
Technology	6.00	6.00	5.56	0.44
ETF Servicing Model	6.25	6.17	5.78	0.47
Average	6.05	6.38	5.78	0.28

A recent rebrand for the organisation in the wake of the sale of its European business marks a reinforced commitment to the Canadian market – where the business still continues to excel in the ETF administration survey. It holds around \$5.5 billion in ETF assets under administration, with 100% of its client base in Canada.

Despite a 0.33 fall in its total overall score, RBC Investor Services achieved scores in the Very Good-Excellent range in all but one category this year. “RBC does a fantastic job servicing our ETFs,” one client said, while another hailed the training and support provided by the team.

The only category to fall short of the 6.00 mark was Compliance Support, which registered a score of 5.75 – 0.39 points below the industry average, but still within Good range (5.00-5.99).

The Toronto-headquartered institution said it expects to see continued growth in the ETF market long-term, but has prepared for near-term volatility due to a potential recession in the US and Canada later this year. To support further growth in the space, RBC IS this year rolled out its middle-office services to clients.



State Street Global Services

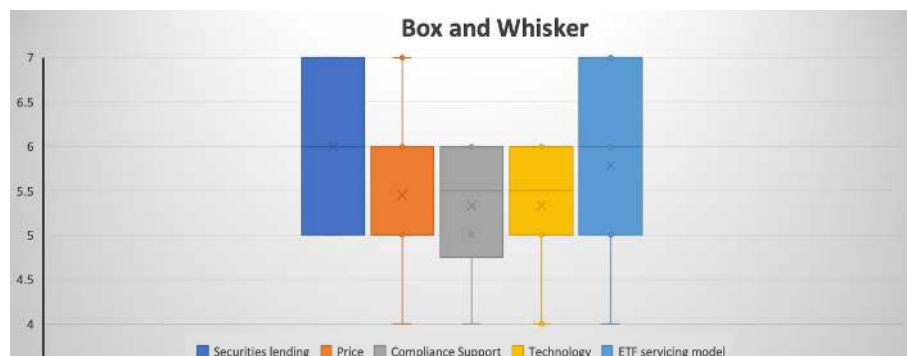
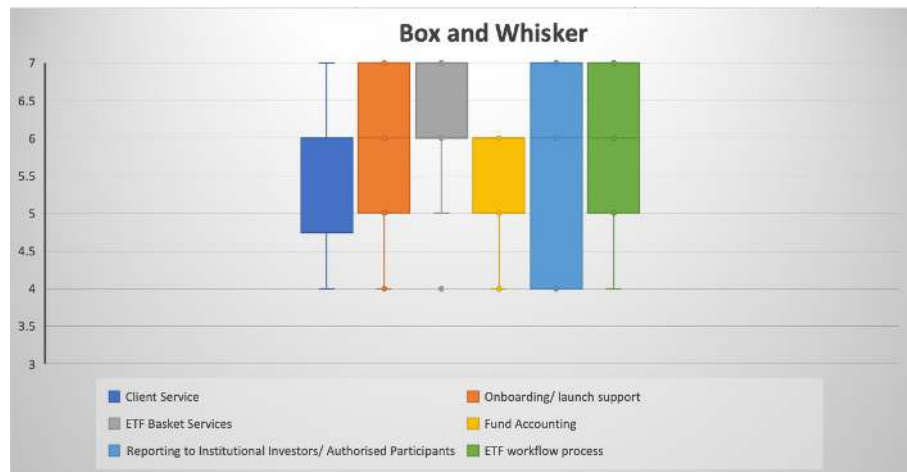
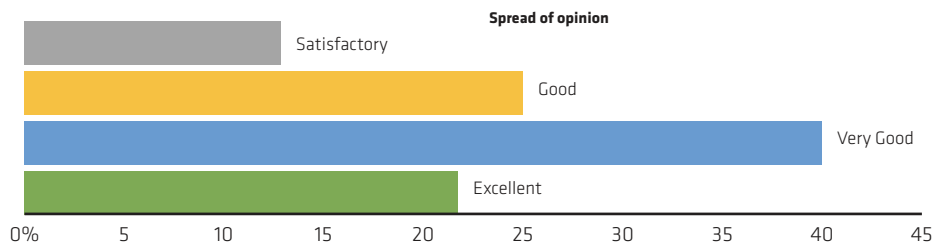
State Street	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	5.64	6.09	5.83	-0.19
Onboarding/ Launch Support	5.86	6.45	5.89	-0.03
ETF Basket Services	6.08	6.10	5.88	0.20
Fund Accounting	5.36	5.78	5.82	-0.46
Reporting to Institutional Investors/ Authorised Participants	5.71	6.25	5.54	0.17
ETF Workflow Process	6.00	6.30	5.77	0.23
Securities Lending	6.00	6.50	5.84	0.16
Price	5.45	5.50	5.52	-0.07
Compliance Support	5.33	5.67	6.14	-0.81
Technology	5.33	5.00	5.56	-0.23
ETF Servicing Model	5.79	6.27	5.78	0.01
Average	5.69	5.99	5.78	-0.09

As the largest global ETF administrator in the world, it's no surprise that State Street has received the highest number of client submissions to the survey. With an average category score falling in the upper end of Good range feedback received was mostly positive – with 61% of individual points being rated as Very Good or Excellent.

It's been a busy year in the ETF space for State Street, with the bank continually investing in its service offering. Recent months have seen the Boston-based institution expand the capabilities of its Alpha platform to support the entire lifecycle for ETFs, while numerous upgrades have been made to its Fund Connect ETF portal.

“As the ETF market continues to evolve in complexity, issuers and market participants are increasingly looking to simplify and automate trading workflows to operate as seamlessly, efficiently and securely as possible,” Lori Coakley, global business head of Fund Connect ETF, said at the time.

ETF Basket Services, ETF Workflow Process, and Securities Lending maintained scores in the Very Good-Excellent range. Areas where State Street could most improve would be Compliance Support and Fund Accounting, which sit 0.81 and 0.46 below the global average, respectively.



Ultimus Fund Solutions

Ultimus	Average Score 2023	Average Score 2022	Global Average	Difference with Global
Client Service	6.75	6.75	5.83	0.92
Onboarding/ Launch Support	6.88	7.00	5.89	0.99
ETF Basket Services	7.00	6.83	5.88	1.12
Fund Accounting	6.88	6.88	5.82	1.06
Reporting to Institutional Investors/ Authorised Participants	N/A	N/A	5.54	N/A
ETF Workflow Process	6.50	N/A	5.77	0.73
Securities Lending	N/A	N/A	5.84	N/A
Price	6.43	5.88	5.52	0.91
Compliance Support	7.00	6.88	6.14	0.86
Technology	6.38	6.75	5.56	0.82
ETF Servicing Model	6.63	6.75	5.78	0.85
Average	6.72	6.72	5.78	0.92

Ultimus has followed up its impressive results in 2022 with another stellar performance this year – registering an overall average rating of 6.72 for a second consecutive year.

The only non-bank ETF servicing provider in the survey, Ultimus has ETF assets under administration of around \$10 billion, with 100% of its clients based in the US.

The firm achieved a perfect score in both ETF Basket Services and Compliance support. Onboarding/ Launch Support (6.88), Fund Accounting (6.88), ETF Workflow Process (6.50), and ETF Servicing Model (6.63) also scored very highly. In total, more than three quarters of the provider's ratings received an Excellent Score, and a further 21% rated as Very Good.

The results reflect a very successful year for Ultimus in the ETF market, with the firm picking up numerous servicing mandates and completing multiple mutual fund-to-ETF conversions for high profile clients.

Accompanying comments were very complementary of the organisation, with particular praise for the communication and organisation of the firm. One client stated: "We value the consultative assistance they provide – above and beyond the regular daily and periodic processes. Very talented group, keep up the good work!"

