

Press release

Press enquiries:
Basel +41 61 280 8042
press@bis.org

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Financial Stability Board publishes a note on financial stability issues from exchange-traded funds (ETFs)

The Financial Stability Board (FSB) published today a note on [Potential financial stability issues arising from recent trends in exchange-traded funds \(ETFs\)](#). The note highlights recent developments in the ETF market, which has experienced strong growth and rapid innovation. Although most of the ETF market remains plain-vanilla, there has been an increase in product variety and, in some cases, complexity. The note aims at improving understanding of the possible emerging issues for financial stability, and encouraging the financial industry, early in the product cycle, to adapt risk management practices, disclosure and transparency to the pace of innovation in this market.

The FSB is publishing this note as part of its role of monitoring market developments relevant to financial stability and advising on their implications for regulatory policy. In doing so, it seeks to identify potential vulnerabilities and the actions that may be needed to address them.

At its [Plenary meeting in Rome](#) earlier this month, the FSB noted that there are signs that the low interest rate environment, which has been necessary to support growth and financial sector recovery, may be leading investors to search for yield in more complex non-standard market segments that increase exposure to liquidity risks. Developments in some segments of the ETF market, but also of the commodities and high-yield markets, are examples that warrant closer surveillance by regulatory authorities.

Work is underway nationally and internationally to assess whether recent innovations and the related increase in complexity in some segments of the ETF market add to financial system risks and whether regulatory actions are needed to address potential shortcomings in the management of counterparty, collateral and liquidity risks, and in market transparency.

The FSB welcomes feedback from the public on this note. Feedback should be submitted by 16 May 2011 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland).

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

The FSB is chaired by Mario Draghi, Governor of the Bank of Italy. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.