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4 April 2014

Mr. John Lonsdale
Head of Secretariat
Financial System Inquiry
The Treasury
Langton Crescent
CANBERRA ACT 2601

Re: *The Financial System Inquiry*

Dear Mr. Lonsdale:

As the Australian Government undertakes a comprehensive review of its financial system through the Financial System Inquiry, ICI Global¹ would like to bring to the attention of the Inquiry Panel information about the structure and operation of U.S. exchange-traded funds (ETFs) that has been produced by the Investment Company Institute to help market participants, regulators, and investors better understand exchange-traded funds. This information and data may be of interest to the Inquiry Panel as it considers its recommendations for fostering an efficient and competitive financial system in Australia that is consistent with financial stability, prudence, public confidence and the capacity to meet the needs of users.

The 2013 Investment Company Factbook, which is available at <http://www.icifactbook.org/>, contains a wealth of information about U.S. funds registered under the Investment Company Act of 1940, of which ETFs are one type. Chapter Three of the Factbook, in particular, focuses on ETFs. It provides an overview of ETFs – how they are created, how they differ from mutual funds, how they trade, demand by investors for ETFs, and the characteristics of ETF-owning households. In addition to

¹ ICI Global is a global fund trade organization based in London; members include regulated U.S. and non-U.S. based funds publicly offered to investors in jurisdictions worldwide. ICI Global seeks to advance the common interests and to promote public understanding of global investment funds, their managers, and investors. Members of ICI Global manage total assets of over \$1.4 trillion in non-U.S. funds. ICI Global is an affiliate of the Investment Company Institute (ICI). ICI is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$16.8 trillion and serve over 90 million shareholders

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the Factbook, you may find additional useful information on the Institute's Exchange-Traded Funds Resource Center, available at http://www.ici.org/etf_resources.

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If you have any questions regarding the contents of this submission, or otherwise would like further information regarding the regulated fund industry, please feel free to contact the undersigned or Eva Mykolenko at 1-202-326-5837 or emykolenko@ici.org and we will make every effort to assist you.

Sincerely,

/s/ Dan Waters

Dan Waters
Managing Director
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