

**The Working Group on Risk**, with the support of the group BFA (SFdS) & Institut des Actuaire (IA), has the pleasure to invite you to the Seminar by:

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**Thierry RONCALLI**

*Head of Research & Development, Lyxor Asset Management & Evry University*

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**Wednesday, February 5, 2014 at 12:30 pm**

**EEE - ESSEC La Défense – room 138**

**Improving the Efficiency of the European ETF Market:  
Implications for Regulators, Providers and Investors**

Exchange traded funds (or ETFs) are mutual funds that are traded on an exchange. They generally replicate the performance of an index. This explains that index-tracking ETFs represent a large part of the assets. They allow investors to gain exposure to several asset classes on a real-time basis, meaning that shares in an ETF can be bought and sold throughout a broker-dealer like stocks. This ability to provide intraday exposure explains the incredible growth of the ETF market since ten years. According to ETFGI (2014), the global ETF industry had 3 594 ETFs, with assets of 2 254 B\$ at the end of 2013.

However, this success must be mitigated especially in Europe. First, replicating the performance of the index does not mean that there is no risk with respect to the index. Second, liquidity in the ETF market is a fuzzy notion.

In this presentation, we define a framework to compute the efficiency of an ETF. This allows measuring the risk of the ETF with respect to the replicated index. We then consider the liquidity issue in an intraday basis. The main result is that liquidity among ETF providers is heterogeneous. The fragmentation of the ETF market, the cross-listing of ETFs and the low transparency of the European ETF market are certainly the most important factors, which explain this situation. In the last part of the talk, we propose different ways to improve the efficiency of the European ETF Market.

The talk is based on the following papers: Hassine M. and Roncalli T. (2013), Measuring Performance of Exchange Traded Funds, Journal of Index Investing & Roncalli T. and Zheng B. (2014), Measuring the Liquidity of ETFs: An Application to the European Market, SSRN, forthcoming.



**YOU HAVE THE ANSWER**

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<http://crear.essec.edu/working-group-on-risk/meeting-schedule-2013-2014>

# Thierry RONCALLI

*Head of Research & Development, Lyxor Asset Management & Evry University*



**Thierry Roncalli** is Head of Quantitative Research at Lyxor Asset Management and Professor of Finance at the University of Evry. Dr. Roncalli has 19 years of experience in finance and is the author of many articles and several books in quantitative finance. His last book “Introduction to Risk Parity and Budgeting” has been published in July 2013 by Chapman & Hall. He received a Ph.D. in Economics from the University of Bordeaux.

