

## ASSET MANAGEMENT

### MarketAxess Hires SSGA Exec for ETF Expansion

State Street Global Advisors veteran John Keller is joining the trading platform to expand its presence in exchange-traded funds. *By Julie Segal*

Electronic fixed-income trading platform MarketAxess is pushing further into the exchange-traded fund business, hiring John Keller, global head of fixed income ETFs portfolio management from State Street Global Advisors, to advance the effort.

Keller's mandate is to expand New York-based MarketAxess's presence in ETFs through its fastest growing-protocol, Open Trading. In contrast to its traditional dealer-to-client model, MarketAxess brought together dealers, asset managers, hedge funds, and others in a single liquidity pool in 2012. MarketAxess is on track to report record volumes, revenues, and profits for 2016.

With banks in the post-crisis years pulling back from traditional market-making, MarketAxess's Open Trading initiative has attracted investors and money managers looking for trading alternatives. For instance, a traditional money manager can now offer securities on the platform and initiate a transaction with another investor or hedge fund anonymously, instead of going directly to a dealer. Algorithmic traders and authorized participants for ETFs, designated market makers for the funds, have also joined the platform.

Keller will specifically build technology to support the complex creation and redemption process for ETFs. The capabilities will support the growing number of institutional investors that are using bond ETFs to get around the difficulties in buying and selling underlying securities in fixed income markets since 2008.

Instead of transacting in the primary bond markets, investors can negotiate with ETF spon-



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sors, such as BlackRock or SSGA, over which bonds will fit in a high-yield ETF, say, and then deliver those securities directly to authorized participants who complete the transaction. In return, the investor receives an ETF position that can then be easily sold on an exchange. The investor is exchanging a basket of bonds for an ETF, or vice versa, bypassing the need to trade in the open market.

“We’re seeing a lot more interest in this avenue for additional liquidity. But it’s essential we bring tools to simplify the process. The technology will then create its own demand,” Keller says.

Separately, MarketAxess and Dow Jones Indices will be developing benchmarks that will track the most liquid parts of the corporate bond market. The two will initially focus on creating sub-indices of the Standard & Poor’s 500 Bond Index. The first indices, which will be marketed to ETF providers, will be launched this quarter. The indices will leverage the information MarketAxess collects on the \$1.2 trillion in bonds that traded on its platform over the past 12 months.