



All You Need to Know About Launching Active ETFs in Europe

A STRATEGIC PLAYBOOK FOR MUTUAL FUND MANAGERS



Overview

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As investor preferences shift toward ease-of-use, transparency, flexibility, and cost-efficiency, mutual fund managers are rethinking how their strategies are delivered.

Active ETFs represent vehicles that combine traditional active fund management with the intraday tradability of ETFs. This guide delivers a practical roadmap for mutual fund managers with foundational ETF knowledge, now exploring the mechanics, challenges, and opportunities of launching active ETFs in Europe. Many fund strategies can be married with the ETF wrapper for a better investor experience.

Why Enter the Active ETF Space?

Market Drivers:

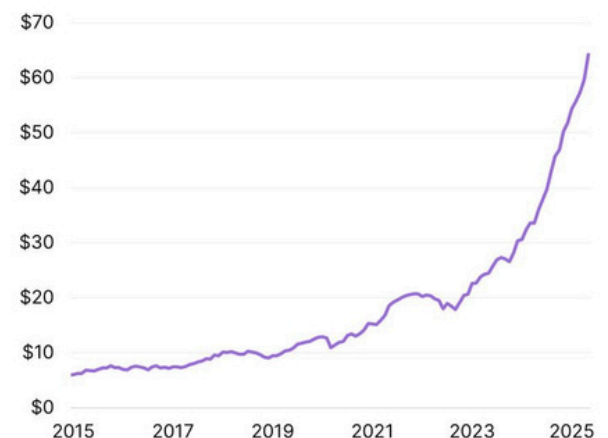
- Increased demand for cost-effective active strategies
- Daily disclosure of portfolio holdings no longer a regulatory requirement enabling portfolio managers to protect their IP
- Investor appetite for more transparent, tradable investment solutions
- ETF share class models can simplify entry with reduced costs

Strategic Benefits:

- Reach direct-to-consumer and platform investors
- Improve cost competitiveness
- Maintain performance continuity via shared track record (ETF share classes)
- Offer real-time execution in volatile market

Active ETFs shift gears in Europe

EU-listed Active ETF assets (in US\$ Billions)



Source: Trackinsight, as of May 30th, 2025.
For illustrative purposes only. Not financial advice.
All investments are exposed to a risk of capital loss.

trackinsight 
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Fund Structure Options

A **Full ETF**

Shared assets, history, and operations:

- Separate legal fund entity under UCITS
 - Flexible design, but requires seed capital and new track record
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B **ETF Share Class of a Mutual Fund**

Shared assets, history, and operations:

- Already allowed in Europe (used by Source/Ashmore and HSBC)
 - Avoids duplicating portfolio and admin overhead
 - Regulatory note: No longer required to rename entire fund “UCITS ETF” in Ireland—enabling wider adoption of dual-share-class structures.
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Routes to Market

Option 1: Build

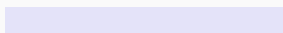
Ideal for: Firms seeking long-term control and full internalization

Pros:

- Total control over product development, branding, infrastructure
- Better long-term unit economics

Cons:

- Requires heavy upfront investment in:
 - Capital Markets desk
 - AP/MM relationships
 - Exchange listings
 - Operational infrastructure



Timeline: 12 Months

Routes to Market

Option 2: Buy

Ideal for: Managers seeking rapid scale via acquisition

Pros:

- Immediate ETF presence
- Acquires talent, listings, and distribution at once

Cons:

- Integration challenges (systems, culture)
- Costly upfront (often >€20M depending on AUM and brand)



Timeline: 3–6 months (post due diligence and regulatory clearance)

Option 3: White Label

Ideal for: Mutual fund firms new to ETFs or smaller firms with limited ETF ambitions

Providers: HANetf, Waystone, Allfunds, Citi, Prescient.

Pros:

- Speed to market: 3–4 months
- Shared infrastructure and compliance
- Access to pre-established AP/MM networks and exchange listings
- No need for internal Cap Markets or operations buildout

Cons:

- Shared economics (10–25 bps)
- Limited branding/customization
- Some ETF platforms may prefer “issuer-owned” product suites



Timeline: 3–6 months (post due diligence and regulatory clearance)

Cost breakdown

Category	Build*	Buy	White Label
Setup cost	€500k+	€20M+	€300–400k+
Capital Markets	€100+/yr (internal team)	Acquired	Included in fee
Exchange Listing (LSE/Xetra/etc.)	€50–75k per exchange	N/A	Included
Legal & Compliance	€100–200k initial + €100k/yr	N/A	Included
Marketing	€100–300k+	Brand-dependent	Shared or optional

* Depending on how many products being launched

** Will also change an ongoing BP free of AUM

SOURCE: BLACKWATER ESTIMATES

ETF Share Class: A Soft Launch Approach

The Vanguard-Inspired Model (Now Available in Europe)

The ETF share class structure allows the launch of an ETF as a share class of an existing mutual fund delivering:

- Shared track record and performance history
- Unified asset pool and cost structure
- Minimal need for seed capital
- Streamlined regulatory and operational overhead

European Precedent:

- First adopted in 2014 by Ashmore/Source ETF
- 2023: HSBC launched ETF share classes on fixed-income mutual funds
- Ireland's Central Bank previously required renaming the fund to include "UCITS ETF," but that restriction has been removed, easing implementation

Challenges of the ETF Share Class Model

1. Operational Complexity

Managing both ETF and mutual fund flows requires tight coordination across systems, pricing (intraday vs. end-of-day NAV), and service providers.

2. Governance Risks

Ensuring fair treatment between share classes—especially on fees, performance, and voting rights—adds regulatory scrutiny.

3. Distribution Friction

Platforms and advisors may struggle to accommodate or explain the dual structure; education is key.

4. Performance Divergence

Cash needs and trading behavior differences can lead to tracking variations between the share classes.

Operations & Capital Markets

Key Stakeholders:

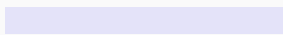
- Authorised Participants (APs) and Market Makers (MMs)
 - Exchanges (LSE, Xetra, Euronext, etc.)
 - Fund accountant, custodian, transfer agent
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ETF Capital Markets Function:

- Oversees creation/redemption process
- Manages trading efficiency and spreads
- Engages brokers and MMs to ensure secondary market liquidity
- Supports ETF sales with execution expertise
- May be a cost center, but increasingly a differentiator

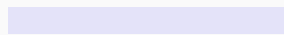
Distribution Strategy

Challenges



- ETFs are pull products: investors must demand them
- Some platforms still prefer mutual fund-only flows
- Educating platforms and clients is essential

Solutions



- Build hybrid sales teams with ETF specialists integrated into broader distribution
- Leverage white-label platforms (e.g., HANetf) for plug-and-play entry
- Consider ETF share class for easier internal and external adoption

Building the Right Sales Team

Talent Strategy:

- Prioritize hiring experienced, locally-connected professionals
- Markets like Italy and France are relationship-driven
- Build regional coverage with tailored messaging for Germany, Nordics, Iberia

Structuring the Team:

- Embed ETF specialists within generalist teams
- Invest in ETF-specific training (liquidity, spreads, execution, portfolio transparency)

Sales Compensation Models

Firms entering the ETF market often succeed by aligning bonus incentives with growth in high-margin active ETFs.

Factor	Small Firms	Large Firms
Bonus Basis	Net New Assets (NNA)	Team-based, discretionary
Structure	Aggressive, hunter-led	Relationship-focused, qualitative
Tracking Flows	Direct via clients	Indirect via MMs/platform data
Margin-Based Payouts	Common	Strategic in product tilt

Go To Market Timeline

The overall timeline is subject to various hurdles an ETF provider needs to clear. Therefore it is crucial to understand all aspects that need to be considered along the way already from the outset so to being able to spot and tackle any potential roadblocks before they cause unnecessary delays.

Phase	Timeline	Key Tasks
Strategic Planning	Month 0–2	Decide structure, select route, initiate legal
Operational Setup	Month 3–6	Capital Markets, AP/MM onboarding, listing preparation
Product Build	Month 6–8	Create KIID, factsheets, distribution training
Launch	Month 9+	Execute launch campaign, seed product, monitor flows

Common Pitfalls to Avoid

UNDERESTIMATING
THE **UNIQUE FEATURES**
OF THE ETF
OPERATING MODEL

LAUNCHING
WITHOUT INTERNAL
CAPITAL MARKETS
OR SUPPORT DESK

UNDERESTIMATING
EDUCATION NEEDS
FOR INTERNAL
TEAMS

FAILING TO
DIFFERENTIATE THE
ACTIVE ETF FROM
PASSIVE OFFERINGS

POOR **DISTRIBUTION**
PLATFORM
ONBOARDING
PLANNING

NOT GIVING ENOUGH
LEAD TIME TO
ONBOARDING APS

Conclusion

Active ETFs are no longer an experiment—they're a logical next step for mutual fund managers who want to stay relevant in an evolving investment landscape.

Europe's mature UCITS ecosystem, combined with the ETF share class option and capital markets infrastructure, make this an ideal time to act.

Success requires coordination across sales, operations, portfolio management, legal, and capital markets. But with the right structure and execution, the rewards—both financial and strategic—can be substantial.



We connect the ETF ecosystem, educate the market, and bring ETFs to more people.

Founded in 2019, Blackwater is a specialist talent and education firm dedicated exclusively to the global ETF industry. Our team of former ETF professionals brings over 50 years of combined experience from leading asset managers, allowing us to offer deep domain knowledge and a truly consultative approach.

OUR SERVICES

Blackwater is the only firm focused exclusively on talent, education, and insights for the global ETF industry.

- **Talent** – We work with ETF issuers, market makers, index providers and service firms to identify, hire, and retain high-performing professionals.
- **Education** – Through the ETF Training Hub and etfcareer.com, we provide learning and career development opportunities tailored to the needs of ETF professionals at every stage.
- **Insights** – Our research equips the ETF ecosystem with the intelligence it needs to grow and thrive.

At Blackwater, we connect the ETF ecosystem, educate the market, and bring ETFs to more people.

► To learn more or explore how we can support your goals, visit blackwateretf.com or contact us at enquiries@blackwateretf.com.