



Can ETF Capital Markets Be Outsourced? 2025.

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Introduction

ETF issuers are under growing cost and operational pressure. As competition intensifies, many are considering whether key functions could be managed externally. Outsourcing is now standard practice for custody, fund administration, and portfolio management. The question is whether Capital Markets, a function central to liquidity, trading, and investor relationships can follow the same path.

What Capital Markets Does

Capital Markets sits at the intersection of product design, trading, and client engagement. The team manages primary market activity, oversees liquidity and spreads, and maintains relationships with authorized participants (APs) and market makers. It ensures smooth fund operations and acts as the bridge between portfolio management and the trading ecosystem.

As Jürgen Blumberg ex Head of ETF Capital Markets Europe at GSAM described, "Capital Markets takes care of everything that differentiates an ETF from a mutual fund. The team manages primary market activity, liquidity, spreads, and relationships with authorized participants (APs) and market makers."

- Overseeing creations and redemptions including seeding
- Managing ETF liquidity and spreads
- Guiding clients on trading and best execution
- Monitoring data and listings across exchanges and RFQ platforms
- Maintaining trusted relationships with APs and liquidity providers
- Valuable feedback on colour around creation and redemptions
- Staying close to regulators and policy developments

The Case for Outsourcing

For smaller issuers, the case for outsourcing is compelling. Establishing AP relationships and managing legal agreements requires time and capital. A third-party provider with existing networks could deliver cost efficiency, operational expertise, and access to experienced market participants.

Authorized participants would agree. One of the main operational headaches they face is paperwork. Legal teams sit on long backlogs of AP agreements, sometimes stretching into years. A centralized model that standardizes these documents could help ease that friction. That kind of efficiency matters.

Amanda Mentis, Head of ETF Capital Markets US at JP Morgan Asset Management agreed that for APs, there could be some appeal:

“For an AP, I can see the attraction of the outsourced model in terms of minimizing the number of conversations they have to have and streamlining the process.”

Such a model could offer smaller issuers cost efficiency and access to experienced networks whilst also relieving the pressure on APs.

White-label platforms already operate in this way. HANetf, for example, employs nearly 10 people across its capital markets function, including operations. The value here is not just access to capital markets support, but the depth of experience that comes with it. Many firms could hire individual staff, but building that kind of experience and network internally is costly and slow.

Timing and Strategic Risk

Timing is a key factor. The biggest risk for new entrants is missing the opportunity window. Building an ETF business organically often takes time before meaningful traction appears. By contrast, outsourced models can be operational within a much faster timeframe. That difference in speed can define commercial outcomes.

Jason Griffin Head of Capital Markets at HANetf highlights “Outsourcing allows firms to start lean and rely on proven service providers while learning the market on the job. As the business matures, they can decide where to deploy internal resources—whether that’s capital markets, investment management, or elsewhere.”

The ETF ecosystem is already built on outsourcing, from custodians and fund administrators to index providers and distributors. Extending that model to Capital Markets could be a natural progression. It would add another layer of specialization while staying consistent with how the broader ecosystem already operates.

Portfolio Management Parallels

The same pattern is visible in portfolio management. Many issuers choose to outsource investment or sub-advisory functions. The rationale is similar: the intellectual property lies in branding, content, and strategy. The rest it could be argued, is operational delivery and cost efficiency.

Market Evidence

Across major ETF markets, the most rapid growth stories have come from firms that use modular, outsourced models. Many have scaled to significant asset levels with lean internal teams supported by specialist partners. This approach allows issuers to focus on distribution and product strategy while leveraging external expertise for execution.

The Challenges

For smaller issuers, the case for outsourcing is compelling. Establishing AP relationships and managing legal agreements requires time and capital. A third-party provider with existing networks could deliver cost efficiency, operational expertise, and access to experienced market participants.

Blumberg highlights these hurdles: **"It's the legal complexity. AP contracts usually include the issuer, management company, and AP. It's hard for most APs to accept contracts where the issuer isn't a party. Negotiations can take months, making it impractical for a third-party provider to step in quickly, because the issuer function is rarely outsourced."**

Griffin confirmed this complexity: **"Legal teams hate it. Every negotiation takes time, and when half the funds never reach scale, APs start to wonder why they're doing all this legal work."**

There are also strategic considerations. Capital Markets is embedded in the product development process from the earliest stages, advising on liquidity, market-making feasibility, and execution mechanics. Outsourcing risks disconnecting that feedback loop, potentially leading to products that are difficult or costly to trade.

As Mentis confirmed: **"We are very embedded in the product development process. From the moment an idea comes up, we're involved and immediately engaged. For an outsourced model, there may be hesitancy in engaging a third party up front, so maybe they'd be involved at a later stage."**

There is also the risk is that outsourcing could weaken relationships. **"If you lose track of your relationships, you lose a feedback loop," said Blumberg.**

The Strategic Role of Capital Markets

Capital Markets also plays a deeper, strategic role. It's not only about operations and trading oversight. The function connects product design, portfolio management, and secondary-market liquidity. Capital Markets teams are often involved from day one advising on what can and cannot trade efficiently, how market makers will hedge, and how a product will behave once live. If that feedback loop is lost, the issuer risks creating products that look good on paper but fail in practice.

As Blumberg explained, "Capital Markets bridges the gap between portfolio management and the trading ecosystem."

Mentis reinforced that view, saying firms now "have a good view of what Capital Markets do and what value they add, so I'm not surprised firms are not looking to outsource this function."

That's why most ETF firms keep the function close. The trust and responsiveness built between issuers, APs, and market makers cannot be replicated by a third party.

The Potential Benefits

Despite the theoretical appeal, standalone outsourced Capital Markets models have not yet gained traction. Most issuers view Capital Markets as core to their identity and investor relationships.

"I haven't seen any fully outsourced, stand-alone capital markets solutions launched," said Blumberg. "Most white-label offerings bundle several modules into a broader service package, with capital markets forming just one component. This approach reflects how deeply the function is integrated from both an operational and legal perspective."

White-label platforms are still new, and as they mature, a more modular approach to ETF servicing might emerge. But for now, the balance between efficiency and control tilts toward keeping Capital Markets in-house. The function isn't just operational; it's reputational. How you manage liquidity and relationships says a lot about how you run your business.

Why It Hasn't Happened?

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Conclusion

Capital Markets sits at the intersection of trading, liquidity, and client experience. Outsourcing might remove some friction for APs. It might even shorten the legal queue. But the core question remains: would you hand over the part of your ETF business that determines how your funds trade? For most issuers today, the answer is still no.

As Blumberg summed up, outsourcing could work **“if accepted by the market.”** But for now, many issuers continue to view Capital Markets as too central to hand off. The function remains not just operational, but reputational and that’s something no third party can easily replicate.



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