Risk publications

Institutional ETF trading

From tactical tool to embedded strategic advantage

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White paper

Risk.net

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Jane Street

Executive summary

The findings of *Risk.net*'s 2025 global ETF trading survey, commissioned by Jane Street, show that ETFs have continued their evolution to become a valuable component of institutional trading. ETFs have become increasingly integral to how institutions access liquidity, express market views, and manage portfolios across asset classes.

This survey of 284 global institutional investors reveals a market characterized by billions in monthly volumes, cross-asset adoption, and increasingly sophisticated use of request-for-quote (RFQ) platforms and execution tools. No longer merely a tactical tool, ETFs have become a strategic fixture in operational workflows and portfolio construction.

With more than $15 trillion in global assets, the ETF market has reached a high level of maturity. It has been tested repeatedly across cycles and shocks, from the global financial crisis to the Covid-19 pandemic and, more recently, the volatility that marked late 2024 and early 2025.

In each case, ETFs have demonstrated their ability to function reliably as tools for price discovery, risk transfer, and liquidity, even when underlying markets were under stress. This track record continues to reinforce institutional confidence in the structure.

Institutions are accessing a wide range of exposures and strategies via ETFs

83%
of respondents trade fixed income ETFs

Institutional investors now widely use fixed income ETFs, solidifying their role as an established method for bond market exposure. Adoption of fixed income ETFs is approaching the adoption levels of equity ETFs.

49%
of institutions trade options-based ETFs

Options-based ETFs are gaining traction with institutional investors, reflecting broader adoption of structured ETF products.

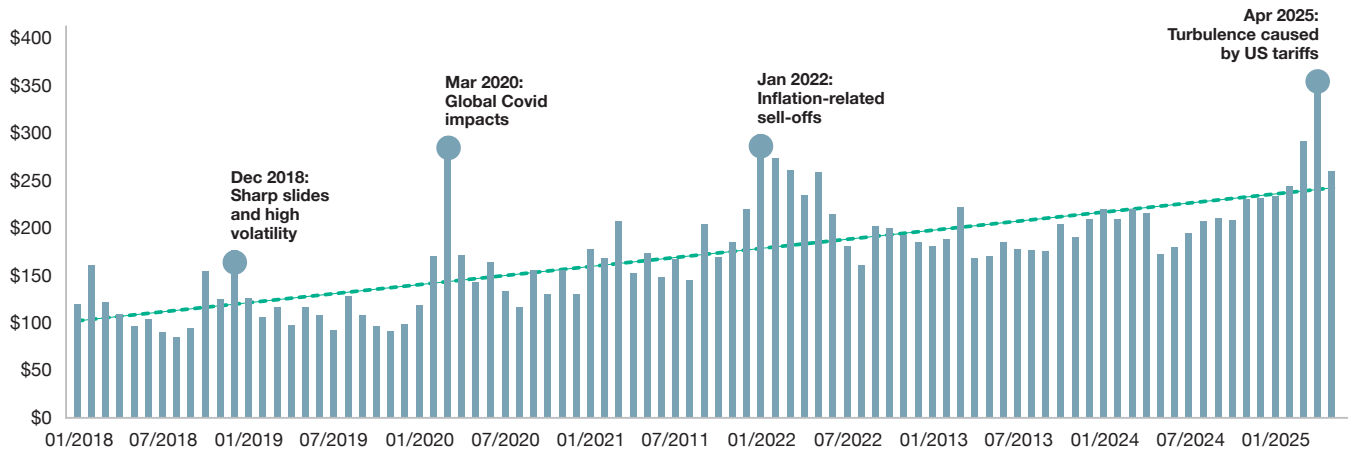
24%
transact in cryptocurrency ETFs

Crypto ETFs are making selective inroads into institutional portfolios, signaling a growing interest in alternative exposures.

Market trends

Globally, ETF average daily volume has climbed progressively in recent years. April 2025 marked an all time high of $365 billion.

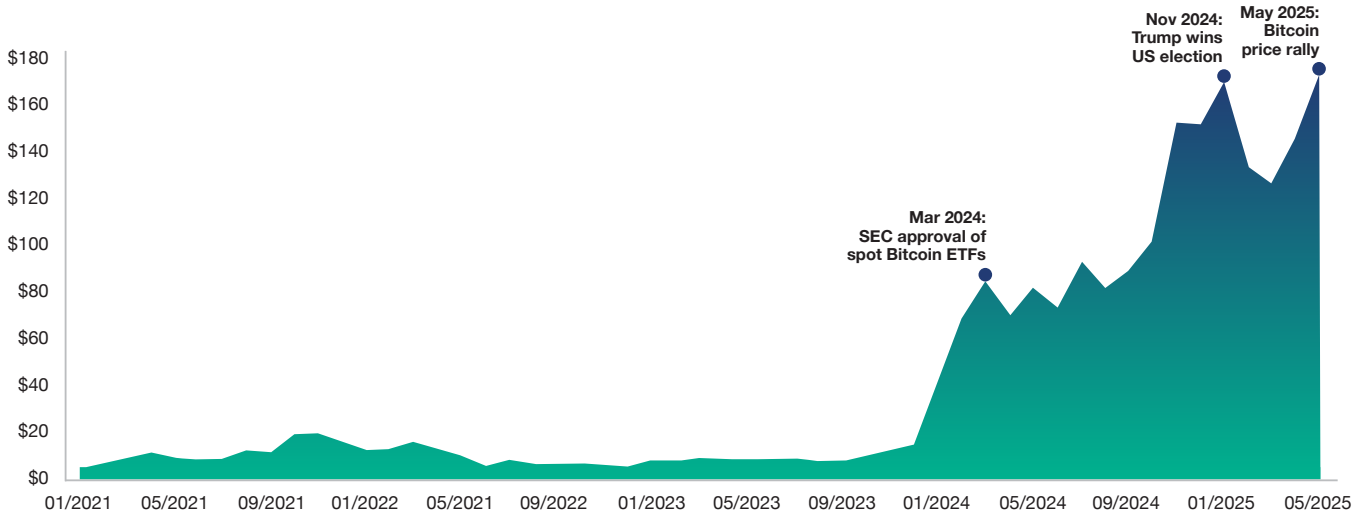
Global ETF ADV ($billions)



Source: Bloomberg, as of May 31, 2025

Crypto adoption saw a sharp acceleration in early 2024 following the SEC's approval of spot crypto products listed in the United States. In the wake of that decision, global AUM across various exchange-traded products (ETPs), including spot and futures ETFs, unsecured ETNs, and direct and synthetic ETCs, spiked significantly.

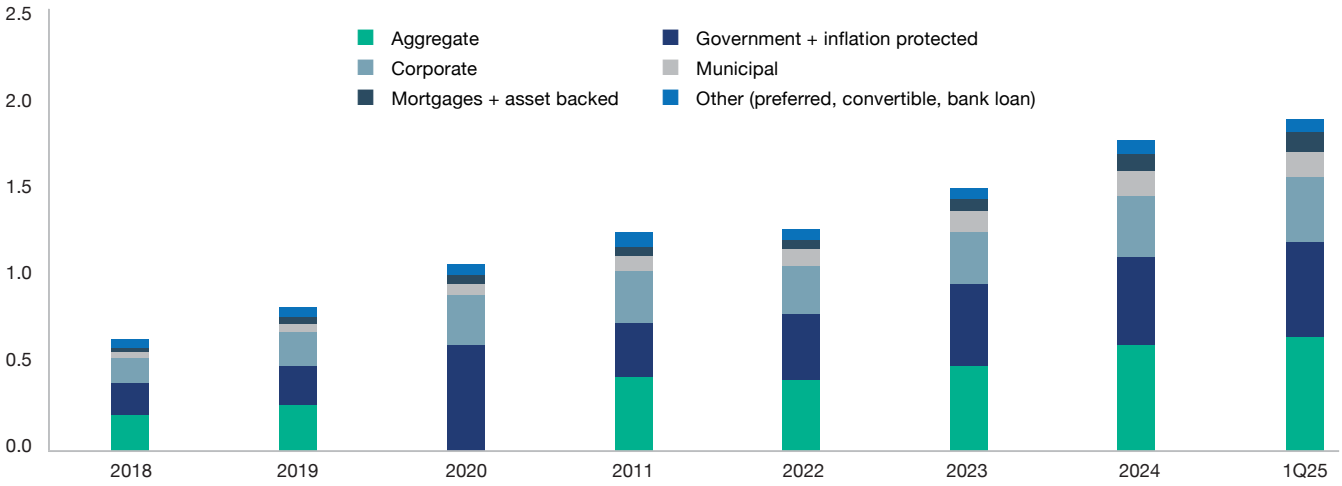
Global crypto ETP AUM ($billions)



Source: Bloomberg, as of May 31, 2025

Meanwhile, traditional segments of the ETF market continue to show impressive growth. For example, fixed income ETF AUM grew by $273 billion in 2024 and by $125 billion in the first quarter of 2025 alone.

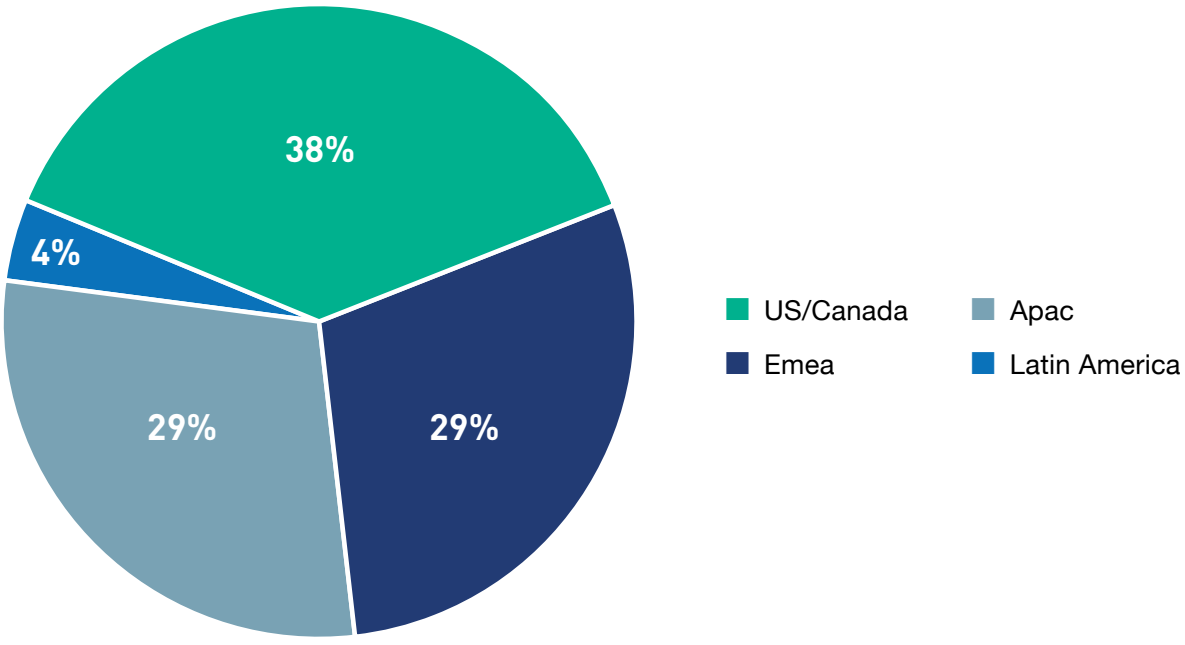
Fixed income ETF AUM ($trillions)



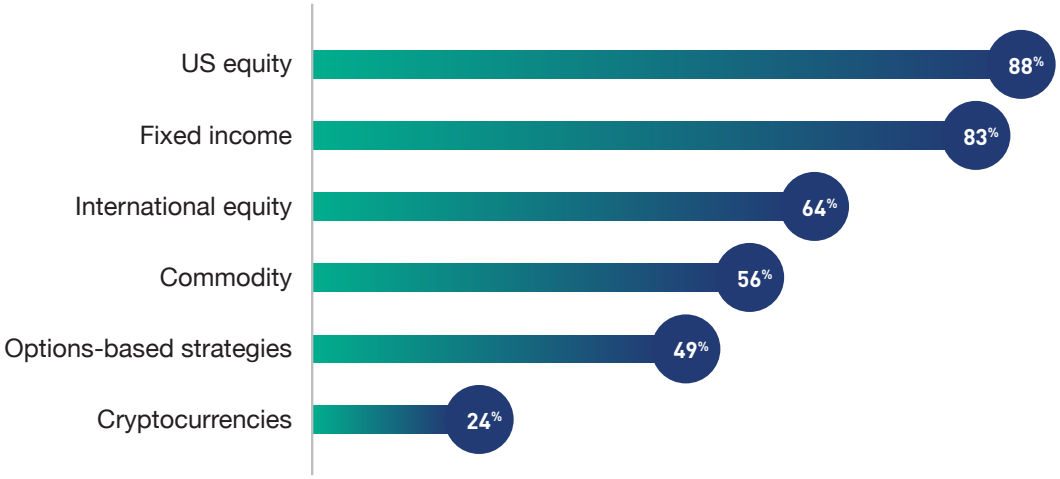
Defining the survey respondents

Survey respondents represented a variety of institutions across the globe. Many of the institutional investors we surveyed are ETF power users: for example, 45 firms reported trading more than $500 million per month.

Breakdown of respondents by domicile

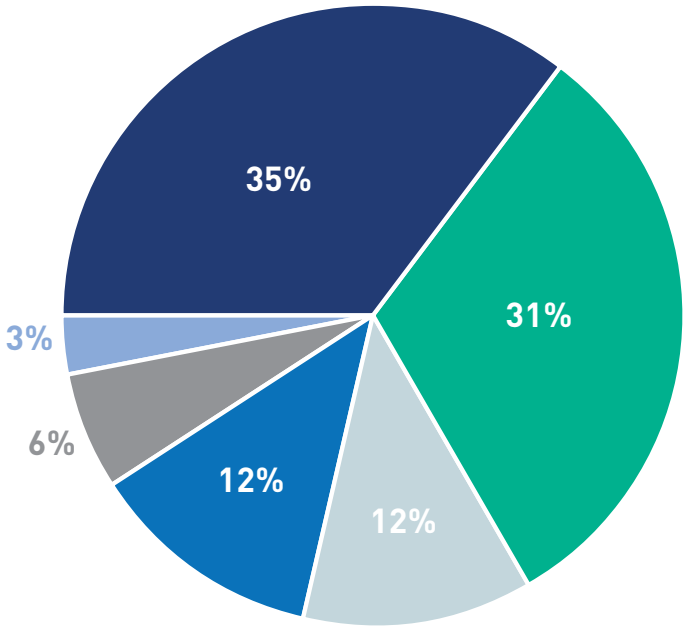


The institutions we surveyed trade ETFs across a wide range of underlying asset classes. Not surprisingly, US equity ETFs and fixed income ETFs are most commonly traded.



Institutions are leveraging different types of traders and different desk structures to trade ETFs. Some firms employ dedicated ETF trading desks, for example, whereas others lean on their equity, fixed income, or multi-asset traders. This cross-desk engagement highlights how ETFs can be used in diverse strategies and are a versatile and relevant product in institutional portfolios.

How would you identify yourself as a trader?



ETF trading spans specialist (35%) and multi-asset roles (31%), reflecting integration across portfolio management strategies.

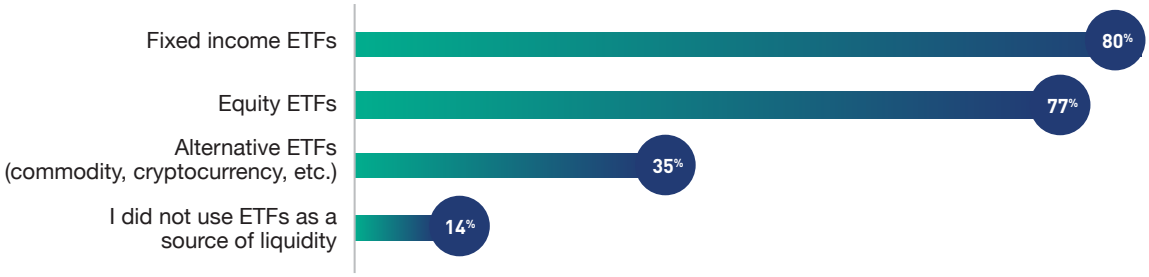
- Mainly an ETF trader
- A multi-asset trader who also trades ETFs
- A fixed income trader who also trades ETFs
- An equities trader who also trades ETFs
- A derivitives trader who also trades ETFs
- Other

ETFs as a liquidity source

ETFs have become widely used as a source of liquidity, with 86% of respondents having used them for that purpose in at least one asset class in 2024. Fixed income ETFs were most commonly used as a source of liquidity. This ranking likely reflects their ability to offer real-time pricing and tradability in an asset class where the underlying cash bond market has historically been less transparent and less liquid.

> *ETFs have become an important liquidity source for institutions managing risk across asset classes. We see institutions leveraging the ETF wrapper to add and reduce broad equity exposure during volatile sessions, tactically manage fixed income portfolios, and access niche geographies or asset classes."*
> *- Curtis Tai, Director of Institutional Sales & Trading, Apac at Jane Street*

Have you used ETFs as a source of liquidity so far in 2024?
If yes, which type of ETFs? (Select all that apply)



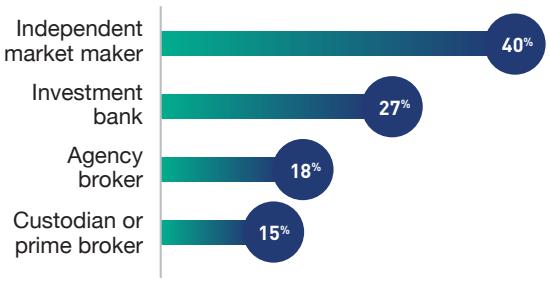
- The percentage of respondents looking to fixed income ETFs for liquidity grew from 71% in 2020 to 80% (2024).
- Equity ETFs were also commonly used for liquidity purposes in 2024 by 77% of respondents, up from 48% in 2020.

Counterparty preferences

With ETF trading volumes rising, institutions are not only evaluating how they execute—but also who they partner with to source liquidity efficiently.

As institutions transact in a broader range of ETFs, they appear to prioritize counterparties that can deliver consistent pricing and execution efficiency across a wide range of ETF trades. The contrast in responses between private banks and wealth managers, and asset managers, suggest a difference in priorities. The former may emphasize integrated service relationships or operational alignment with custodial platforms in selecting liquidity providers. Asset managers, as firms that have historically engaged with a wider set of sell side service providers, may prioritize execution efficiency, competitive pricing, and real-time liquidity.

Most important counterparty when sourcing ETF liquidity



- Independent market makers were, on average, ranked as the most important type of counterparty for sourcing ETF liquidity. Overall, 40% of all respondents ranked them as the most important for this purpose.
- Asset managers strongly preferred independent market makers, with 45%, respectively, giving them top marks.
- Only 15% of respondents assigned top importance to custodians or prime brokers.

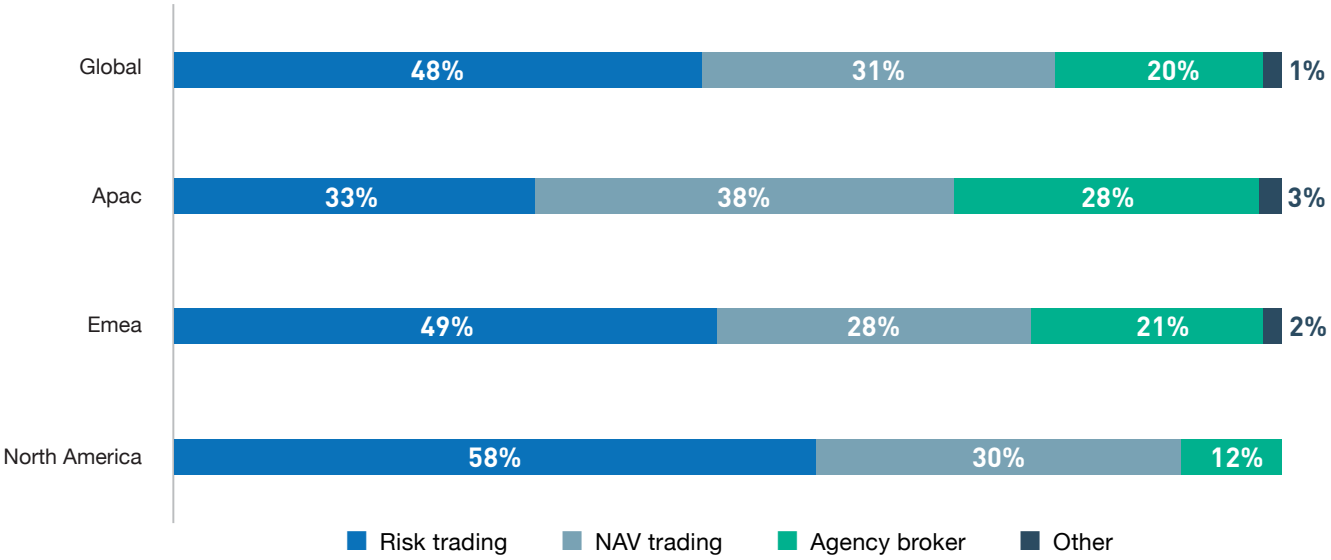
Execution methods and benchmarks

Trading desks use a variety of execution styles and benchmarks, shaped by market structure, infrastructure, and trade objectives.

Institutions continue to rely on a mix of execution methods when trading ETFs. While risk pricing remains the most commonly used method overall, usage patterns vary significantly by region. The variation in preferences likely reflects a combination of factors, including:

- **Trading objectives**, such as the need for immediacy, price transparency, or benchmark alignment
- **Infrastructure**, i.e., access to electronic trading platforms and RFQ systems
- **Market access**, especially time zone alignment and availability of liquidity during local trading hours

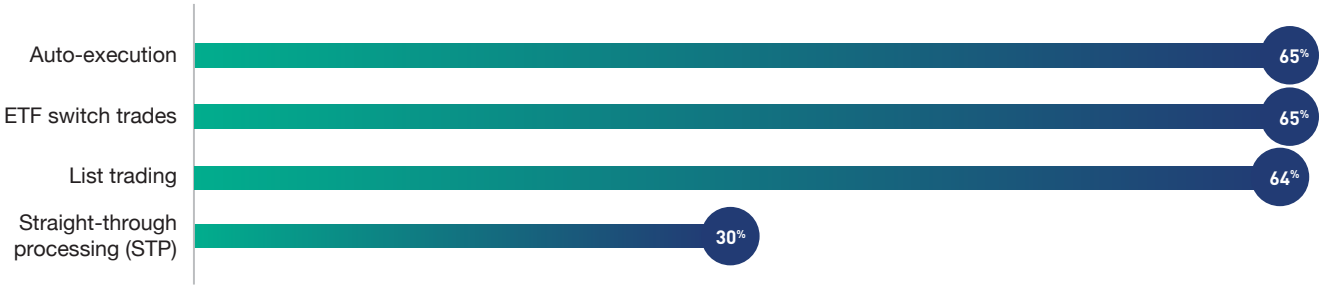
Which execution method does your firm most commonly use when trading ETFs?



- Risk pricing was the execution style most favoured by respondents. 48% reported it as their most frequently used approach for ETF trades, followed by net asset value (NAV) trading at 31%.
- Asset managers lean toward risk trading (47%), suggesting a preference for immediacy and flexibility in execution.
- Apac showed a lower relative preference for risk trading at 33% compared to other regions. The limited overlap between local market business hours and US and European trading sessions may explain this preference for executing via reference price or agency methods.
- Asset owners and pension funds are highly concentrated in risk trading (83% and 59%, respectively) but show a meaningful share using NAV trading (33%), pointing to a clear preference for certainty on price and timing.

RFQ platforms are now a core component of ETF trading infrastructure, with 89% of institutional respondents reporting usage at their firms. While initially focused on price discovery and counterparty selection, RFQ platforms have steadily evolved to support more complex and scalable workflows. Features like auto-execution, switch trades, and list trading can help desks manage higher volumes more efficiently.

Have you used any of the following RFQ features over the past 12 months?

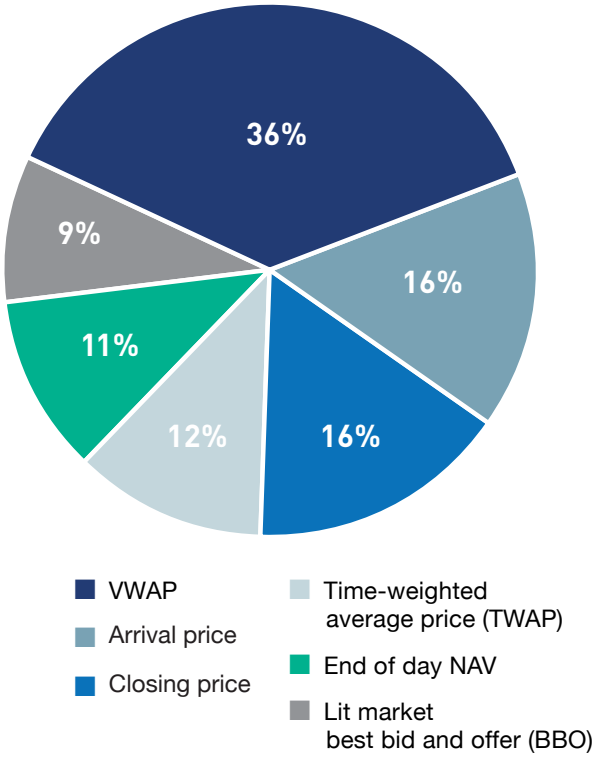


- Roughly two-thirds of respondents used ETF switch trades, auto-execution, and list trading. RFQ platforms have become embedded in daily ETF trading workflows beyond simply aggregating quotes received.
- Straight-through processing (STP) stands out as the least-used feature (30%). Fully realizing the value of STP depends on front-to-back automation, which is often impeded by operational complexity or legacy system constraints in larger firms.

Traders rely on a range of benchmarks to evaluate ETF execution quality, with no single standard emerging across the board. This variation mirrors the diversity of execution styles. It also reflects the growing sophistication and expertise of institutional desks, many of which align the benchmark with the objective of each trade rather than blanket application.

> *Today's traders recognize that execution goals differ across trades, leading them to adapt their performance measurement frameworks accordingly. Additionally, traders are analyzing aggregate exposure across multiple trades, considering overlapping positions and coordinating execution timing to benefit from overlap and minimize overall market impact."*
>
> *- Oliver Bailly, Head of Institutional ETF Sales & Trading Americas at Jane Street*

What benchmark do you most commonly use to evaluate the execution of your ETF trades?



- VWAP (Volume-weighted average price), which attempts to mirror the market's volume and pacing of trades, was selected by 36% of respondents, more than double the combined weight of the second- and third-most common benchmarks.
- Arrival price (16%) and closing price (16%) were the next most common choices. These time-based references may reflect use cases tied to scrutinising trading performance, benchmark tracking, or portfolio rebalancing.

ETFs in portfolio construction

Institutions are incorporating ETFs into broader portfolio design, especially within model frameworks

Model portfolios are a significant area of ETF adoption, particularly in the Americas and Emea. Across all respondents, nearly two-thirds reported using ETFs within either in-house or third-party portfolio models. This level of adoption suggests that many institutions incorporate ETFs into model-driven portfolio construction.

Does your firm use ETFs in model portfolios? If so, what types of models do you use?

- Firms within the Americas and Emea reported similarly high levels of ETF usage within model portfolios. Less than 30% of respondents in both regions reported not using ETFs in any model.
- Meanwhile, Apac-based institutions reported lower uptake in ETF model portfolios: 46% of institutions in the region do not currently use ETFs in any model.

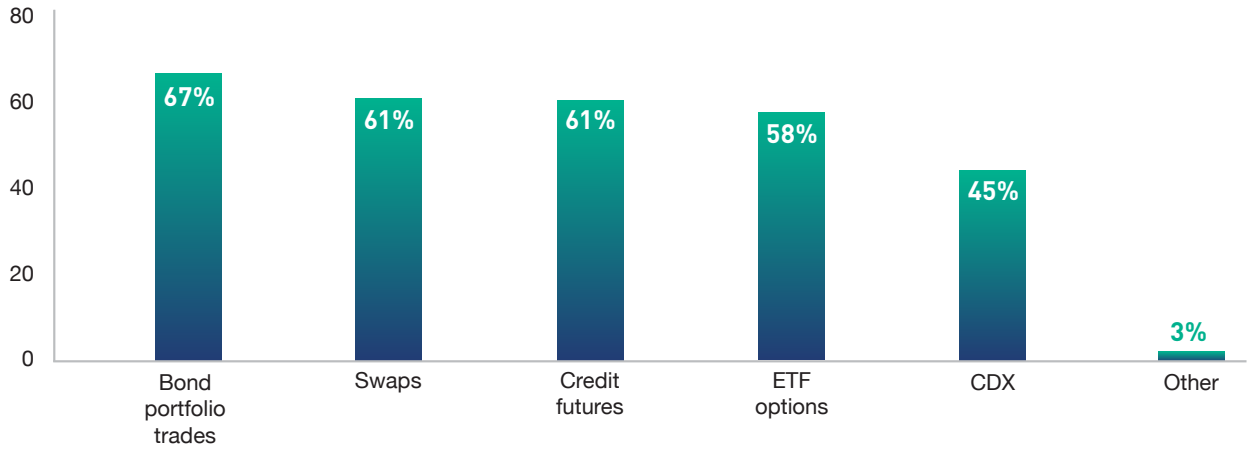
Fixed income macro trading evolves

The growth of macro trading products in fixed income has been a multi year trend that traces back to the global financial crisis. These products include credit default swaps on indexes, ETFs, total return swaps, and futures, along with execution strategies that facilitate broad transfers of risk such as portfolio trading. Bond portfolio trades are the most commonly favoured protocol according to the survey results, with 67% of respondents considering them. Notably, credit index futures, a relatively new product in global markets, have emerged as a way for traders to gain leveraged exposure to track fixed income markets. 61% of respondents reported that they are considering credit futures for beta fixed income exposure. Emea-based institutions responded that this was their top choice overall from the products surveyed, with 69% of respondents noting that they consider them.

After crisis-era regulations thinned out liquidity in the fixed income market, traders gravitated to products that allowed them to trade broad fixed income risk in a more cost- and time-efficient way than trading individual bonds. Fixed Income ETFs are probably the most successful example of such a product, and today credit futures are emerging as a capital efficient way to express broad credit views."

- Ian Shea, Head of Fixed Income, Europe and Asia at Jane Street

When trading fixed income ETFs, what alternative beta products do you consider?



- Bond portfolio trades were the most frequently considered fixed income ETF alternative, selected by 67% of respondents. Like ETFs, portfolio trades provide diversified fixed-income exposure in a single transaction.
- Swaps and credit index futures were each considered by 61% of respondents, suggesting institutions are evaluating multiple tools for broad credit exposure rather than converging on a single preferred solution.

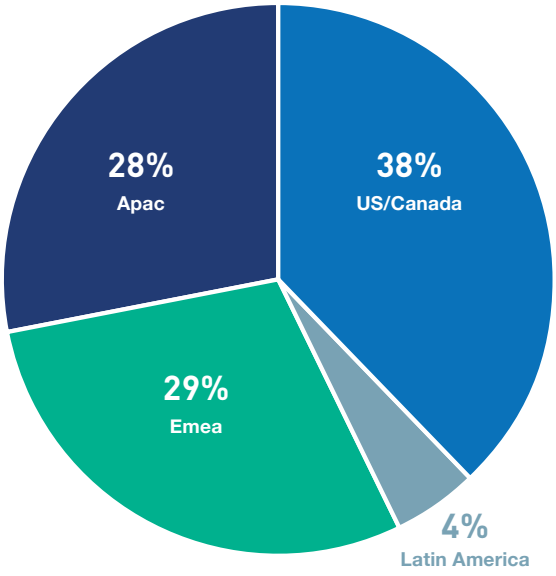
Conclusion

The 2025 ETF trading landscape reflects increased institutional adoption. With nearly universal adoption of RFQ platforms, sophisticated execution strategies tailored to specific objectives and deeper integration into portfolio construction workflows, ETFs are a valuable component of institutional portfolios. ETFs help institutional investors navigate an increasingly complex global market environment and continue to demonstrate resilience during volatile periods. As newer products like ETFs holding options or crypto currencies gain traction, and model portfolio adoption continues to expand, ETFs are positioned to remain an important component of institutional trading.

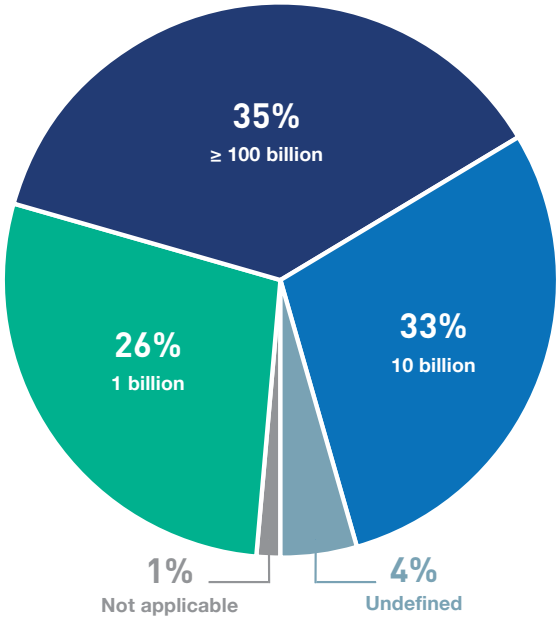
Methodology and audience profile

Risk.net gathered survey responses from 280 senior buy-side ETF traders worldwide between September 2024 and February 2025 to develop these findings.

Location



AUM



Type of institution