

## YOUR FIRST TIME?

(ISSUING AN EXCHANGE TRADED NOTE)

IT'S TOUGH TO IGNORE THE GROWTH OF EXCHANGE-TRADED PRODUCTS. While many issuers want to be part of the ETN market, not all appreciate the complexities associated with issuing ETNs. Whether an issuer is a first-timer or an old hand, we help to develop a proprietary index for the ETN issuance, design an ETN referencing that index, and guide them through the listing process. For example, an issuer client wanted an index linked to master limited partnerships, so that the ETN might pay dividends to investors. The initial proposed index methodology did not meet the NYSE equity index-linked debt securities listing standards. Working with our client and the index sponsor, we restructured the index to comply. We created offering documents that included updated disclosures required of recipients of the recent private Securities and Exchange Commission ETN sweep letter.

First time ETN issuers often are inclined to suggest approaches that could limit the liquidity that keeps the value of the ETN close to the value of the underlying index. For example, a note for the whole amount to be issued must be executed on the initial settlement date, even though the ETN issuer is only required to issue a minimum initial amount to meet applicable listing standards. We also regularly advise issuers concerning the SEC's perspective on actions that could result in the ETN's trading value diverging from the value of the underlying index. Prior to launch, we work with our clients to negotiate marketing and distribution arrangements. We also review all advertising materials for compliance with the FINRA communications rules and SEC free writing prospectus requirements. Clients appreciate that we are able to provide insight on the issues that they should anticipate, guide them through the index construction and issuance process, and help facilitate seamless execution.