**Figure 3.2.1. Structure of Exchange-Traded Funds**

**Primary Market**
- Shares
- Securities
- **NAV represents market value of ETF’s assets**

**Secondary Market**
- Shares
- Cash
- **Investors, stock exchange**

**Hold shares, arbitrage trading**

**Authorised participant**
- **Physical “basket” of securities**

**ETF share price**
- **Liquidity premium or discount paid by investors**

**NAV may not be equal to ETF share price, depending on arbitraging capacity of APs**

Source: IMF staff.
Note: AP = authorized participant; ETF = exchange-traded fund; NAV = net asset value.