IGNITES

DTCC Launches ETF Exchange Tool, Streamlines Dual-Share Ops

The Depository Trust & Clearing Corp. updated its processing and settlement system, which is used by 85% of mutual funds, potentially easing operations for recently approved dual-share-class funds.

By Sean Teehan | May 27, 2026

A major operational bottleneck for — and for some firms, a potential roadblock to — dual-share-class funds may finally be easing.



Talia Klein

The Depository Trust & Clearing Corp. launched an upgrade to its Fund/SERV platform to enable mutual fund-to-ETF share class conversions. Previously, the platform — which supports 85% of mutual fund activity in the U.S. — only facilitated mutual fund processing.

DTCC's mid-May launch of the newly upgraded Fund/SERV is a major milestone, said Talia Klein, head of wealth and investment solutions at DTCC. But the recently added capabilities are just a starting point in building infrastructure meant to support dual-share-class funds across the industry, she said.

"We are looking at building toward that broader ecosystem that supports the dual-share classes holistically across the fund life cycle," Klein said. "We believe that products don't scale unless the operational data infrastructure scales with it too; that includes other updates that we're planning for later in the year."

Breaking the Silo

In 1986, the DTCC — the central processor for mutual fund settlements — first launched its Fund/SERV product, which became the industry standard for processing and settling mutual funds, collective investment trusts and other pooled investment products.

The platform automates the trading process between fund companies and intermediaries — like brokerages or retirement platforms — so that orders, payments, settlement and recordkeeping can be handled quickly and accurately in one place.

But until now, Fund/SERV was not designed to process ETF share-class exchanges, which meant firms launching dual-share-class funds had to rely on manual workflows via emails, spreadsheets and PDFs, Klein said. The latest upgrade automates mutual fund-to-ETF share-class exchanges, allowing firms to process them through DTCC's centralized settlement platform, rather than through fragmented manual processes, she said.

"When people are operating off of emails and Excel files and PDFs and all of those things manually, inherently that will introduce operational risk across the life cycle," Klein said. "It's not just operational savings, but really a risk reduction method."

DTCC also recently upgraded a messaging tool that lets asset managers notify broker-dealers and other trading partners in real time when dual-share-class funds are temporarily unavailable for trading during conversion periods, Klein said.

From Workarounds to Automation

Fund/SERV's upgrades address operational headaches that have complicated rollouts of dual-share-class funds, even as about 90 have been approved by regulators and at least three asset managers have launched dual-share-class products. Those complications include the lack of a centralized processing platform for mutual fund-to-ETF exchanges and the difficulty of coordinating conversion activity between asset managers, intermediaries and service providers. Previously, firms often had to manually communicate trading blackout periods, exchange details and settlement instructions across multiple firms and service providers.

The automation could meaningfully simplify the operational side of dual-share-class conversions, especially for intermediaries, fund administrators and service providers, said Kevin Wolf, head of client strategies at Ultimus Fund Solutions.

"Up to this point, we've been working on how we would fashion what would basically be a workaround, and I don't think anyone really wants to hang their hat on a workaround, especially around this," Wolf said. DTCC "stepped up and came up with a solution much quicker than I think many people thought they would."

The head of ETF solutions for the Americas at State Street, Jeff Sardinha, said last month that the firm was prepared to use a manual workaround for share-class exchanges as a stopgap until DTCC's Fund/SERV upgrade went live.

"We did a lot of work over the last year-plus to figure out how do we expand existing capabilities that are for mutual fund-class exchanges," Sardinha said at the time.

The Fund/SERV upgrade could encourage intermediaries to more seriously evaluate support for dual-share-class funds, Wolf said. Many broker-dealers and distribution platforms have not yet built systems capable of handling mutual fund-to-ETF share-class conversions operationally, he said.

"Because this is now an automated process, does that facilitate that conversation at the intermediary?" Wolf asked. "Hard to say, but certainly this is going to be beneficial on the intermediary side."

Still a Complex Structure

While Fund/SERV's new capabilities will transform dual-share-class operations from a bespoke manual workflow to a more standardized and repeatable process, the upgrade solves only part of the broader operational challenges surrounding dual-share-class funds, said Nahean Nazmul, head of front-office consulting at Cutter Associates.

The new automation is helpful, but firms still need to treat dual-share-class funds as an operating model change rather than simply a technology upgrade, Nazmul said. That means asset managers and service providers still need processes and oversight for functions like data management and fund accounting to fully support the structure, he said.

"It reduces friction, but ultimately asset managers still need to solve the end-to-end workflows across distribution, transfer agency, fund accounting, ETF operations and control functions," Nazmul said.

Operational challenges associated with dual-share-class funds extend beyond the exchange process itself, said Will Trout, director of securities and investments at Datos Insights. Firms still need to manage the complexities of operating both cash-settled mutual fund shares and in-kind ETF shares within the same investment strategy, he said.

"Fund/SERV automates the mechanical exchange but doesn't eliminate the complexity of running two different settlement models within one portfolio," Trout wrote in an email.

"Even with the new automation, adoption of dual-share-class funds may still remain gradual."

DTCC expects adoption of the new capabilities to ramp up gradually over the next several years as intermediaries, distributors and other service providers align their systems and operational processes, Klein said. Broader uptake of Fund/SERV's dual-share-class functionality will likely occur between 2027 and 2028, she said.

DTCC is also planning additional upgrades later this year, Klein said. The central processor is planning to release a new capability that will automate the liquidation of small residual mutual fund balances left behind after share-class exchanges — since mutual funds can contain fractional shares while ETFs trade in whole shares — she said. The new functionality will include same-day settlement capabilities, Klein said.

The broader goal is building infrastructure that can support the continued evolution of investment products and distribution models, Klein said.

"There's a symbiotic relationship between what the financial innovation is from a front-office perspective and what is operationally feasible from a middle- or back-office perspective," Klein said. "Those three layers really have to work in partnership."

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