

Exchange-traded funds (ETFs) are among the fastest-growing types of innovative financial products. The emergence and spread of these instruments have been facilitated by the digital revolution. Information and communication technology (ICT) is profoundly reshaping the global economic landscape, laying solid foundations for unrestricted and unbounded flows of information and knowledge, eliminating information asymmetries, and furthering the rapid diffusion of financial innovations worldwide. This work contributes to the literature by exploring the linkages between variations in ICT penetration and the development and expansion of financial innovation on stock exchanges in ten European countries: France, Germany, Hungary, Italy, Norway, Poland, Spain, Switzerland, Turkey, and the United Kingdom. The analysis covers the period from 2004 to 2019, and uses panel and country-specific regression models to verify the relationship hypothesized between increasing ICT penetration and the development of exchange-traded funds. Our findings indicate that ICT spreads evenly in all the countries, laying solid foundations for the development of innovative financial products. We also find that ICT positively influences the diffusion of ETFs, regardless of the other possible determinants considered; however, despite the high level of ICT adoption in most of the economies analyzed, ETF market development has not been universal, with substantial between-country differences.