



ETFs in APAC: A Force to be Reckoned With

The Exchange Traded Fund (ETF) industry in APAC continues to go from strength to strength. At the end of February 2026, the region's ETFs saw their assets swell to \$1.81 trillion¹ and experts are betting that AuM could potentially hit US\$3 trillion – US\$3.5 trillion by 2030.²

Underpinning this growth is a combination of factors – positive regulations, product innovation and increasing retail investor education and participation.

Regulatory support for the ETF industry

Regulators in APAC have gone to great lengths to make their ETF markets more attractive.

Hong Kong's Securities & Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC) are both making enhancements to ETF Connect, a cross-border access scheme which allows investors in each jurisdiction to purchase listed ETFs in the other's market.

In 2024, the eligibility criteria for ETF inclusion on ETF Connect was expanded further by lowering the AuM threshold and stock weightings.³

This has led to a surge in onshore ETFs being added to ETF Connect. In January 2026, 54 Shanghai-listed ETFs and 44 Shenzhen-listed ETFs were included on the northbound leg of the scheme,⁴ giving global investors access to more onshore products. The eased requirements have also resulted in growing interest from mainland China-based issuers who are looking to launch locally domiciled funds in anticipation of strong inflows from domestic investors.

There has been a spike too in 60/40 ETF launches, which have enabled investors to gain exposure to more global assets, such as US equities. The weightings to Hong Kong-listed underlyings are now in the region of 60%, whereas before they were over 90% – another indication of how positive regulations are expediting product innovation.

Pension regulators in APAC are also nudging trustees to invest more into ETFs.

Hong Kong's Mandatory Provident Fund Schemes Authority (MPFA), the regulatory body overseeing the Managed Provident Fund (MPF) retirement scheme, recently said that ETFs are a cost-effective solution and offer diversification benefits for trustees.⁵

In March 2026, the MPFA also confirmed that active ETFs – authorized by the SFC and listed on Hong Kong Exchanges and Clearing Limited (HKEX) – are a permissible investment for MPF funds, although exposures cannot exceed more than 10% of the MPF's total investments.⁶

Sensible regulatory policies in APAC are playing a big role in driving up the demand for ETFs.

Product Innovation accelerates inflows

Eager to attract new investors, ETF issuers are having to think outside of the box in terms of strategies. Simply coming to market with a plain vanilla, fairly-standardized equity or fixed income ETF is not enough anymore – issuers realize they must embrace product innovation if they are to win mandates.

As a result, APAC's ETF market is maturing.

Active ETFs have become more entrenched in parts of APAC, most notably in Australia, South Korea and Taiwan.

Despite active ETFs only launching in South Korea in 2017, they now account for 31% of the country's US\$127.8 billion ETF assets, one of the highest penetration rates of active ETFs globally.⁷

In Australia, 39% of ETFs are actively traded, and their market share continues to grow. According to EY, ETFs in Australia attracted AU\$ 15.9 billion in 2025, of which AU\$2.52 billion was earmarked for active strategies.⁸ Taiwan, already the third-largest ETF market in APAC, is also becoming an active ETF hot spot after the jurisdiction's Financial Supervisory Commission (FSC) gave its seal of approval to the asset class in December 2024.⁹ In the 11 months following the FSC's decision, active ETFs in Taiwan accumulated US\$1.9 billion.¹⁰

Thematic ETFs – which provide investors with exposure to a specific theme or secular market trend/industry – are seeing strong demand too, particularly from China, South Korea, and Hong Kong. This comes as allocators try to capture the return upside of the major themes and trends of the day, whether that is AI, semi-conductors, biotechnology, electric vehicles or even K-Pop.¹¹

Given the current geopolitical climate, defense-themed ETFs are also highly sought after – a global trend that has not passed APAC by, with many of the region's governments now starting to ramp up their security budgets.¹²

Appetite for ETFs with precious metal underlyings, namely gold and silver, continues to grow too, as investors seek out safe haven assets amidst the rising volatility.

A lot of these flows are coming from Chinese investors, who have reportedly allocated US\$21 billion into gold ETFs.¹³ Issuers in the region are taking note, with more ETFs now coming to market tracking both physical gold and listed gold mining companies.

Other ETF strategies are also gaining momentum. Having observed the success of Single Stock Leveraged and Inverse (L&I) ETFs in the US, Hong Kong's SFC green-lit their launch at the beginning of last year. Since then, a number of products have gone live.

A similar story is happening with covered call ETFs. Hong Kong has seen its fair share of covered call ETF strategy launches recently, several of which Citi was actively involved in.

This strategy involves buying a security or basket of securities and then selling a call option on them. While this approach can eat into returns, it provides regular (albeit not guaranteed) income streams and can help to mitigate downside risk,¹⁴ making this strategy popular amongst some of the more risk averse or income-focused investors.

And finally, the rush to digital assets is transforming the APAC ETF industry. Two years after the US Securities and Exchange Commission (SEC) authorized the first spot Bitcoin ETF, digital asset/crypto ETFs have firmly established themselves in APAC.

Whereas most of the early crypto-ETFs in APAC tracked traditional crypto-currencies, such as Bitcoin and Ethereum, issuers nowadays are giving investors exposure to alternative crypto-currencies, e.g. Solana.

As product innovation continues to accelerate in the APAC ETF market, so too will the flows.



Driving investor access through optimized distribution

Having done an excellent job of educating retail investors about the intrinsic value-add of ETFs, the industry has gone one step further by simplifying the actual ETF buying process. This is helping to expedite flows into the asset class.

In Australia, dual access models allow investors to acquire single fund products through either an Exchange or via an unlisted distribution channel, in which shares can be purchased by the investor directly from the fund at NAV.¹⁵

Together with enabling issuers to target a wider investor demographic and giving allocators greater choice, the dual access model has extensive efficiency benefits too.

Digitalization is also reshaping how ETFs are distributed and traded, as the bridge between DeFi (Decentralized Finance) and TradFi (Traditional Finance) gets increasingly narrower, a development that will have a positive impact on ETF fundraising.

While still in its relative infancy, ETF issuers are exploring whether fund tokenization could make the asset class more attractive to retail buyers in APAC.

Many experts are bullish that ETF tokenization could help issuers win more business from tech-enabled younger investors, a number of whom are most likely already dabbling in digital assets.

Although ETF distribution and trading is relatively frictionless already, tokenization of ETFs could lead to 24/7 trading, fractional ownership, a streamlining of costs through automation, and better transparency.

If the ETF market is to thrive in APAC, the industry needs to work with ETF administrators who have an excellent understanding about local market nuances and practices, along with a deep product suite and consolidated offering.

Endnotes

- 1 ETFGI – March 25, 2026 – [ETFGI reports Asia Pacific ex-Japan ETF industry Assets Hit Record US\\$1.81 Trillion at the end of February](#)
- 2 PwC – March 5, 2025 – [ETFs 2029: The Path to \\$30 trillion](#)
- 3 HKEX – July 18, 2024 – [ETFs in Stock Connect: New Issuer Criteria, New Opportunities](#)
- 4 PR Newswire- January 19, 2026 – [China's ETF Connect embraces the largest expansion in history as offshore investors' appetite grows](#)
- 5 MPFA – November 4, 2024- [MPFA facilitates MPF investments in ETFs for scheme members interests](#)
- 6 Asia Asset – March 24, 2026- [Hong Kong approves active ETFs as an investment option in MPF](#)
- 7 EY – June 2025 - [Navigating growth: Strategies for success in the Asia-Pacific market](#)
- 8 EY – December 31, 2025 – Australian Exchange Traded Funds (ETFs) market overview
- 9 Asia Asset – November 3, 2025 – [Taiwan's active ETFs have strong growth potential, bourse official says](#)
- 10 Asia Asset – November 3, 2025 – [Taiwan's active ETFs have strong growth potential, bourse official says](#)
- 11 EY – June 2025 - [Navigating growth: Strategies for success in the Asia-Pacific market](#)
- 12 ETF Stream – July 1, 2025 – [HANetf to debut world first APAC ex-China defence ETF](#)
- 13 South China Morning Post – October 3, 2025 – [China's US \\$21 billion in gold ETFs shines amid metal's continued rise](#)
- 14 Global X – September 25, 2025 – [How to enhance income potential with covered call ETFs](#)
- 15 ASIC – November 2025 – [Regulatory Guide 282: Exchange Traded Products](#)

Services

© 2026 Citigroup Inc. Citi, Citi and Arc Design and other marks used herein are service marks of Citigroup Inc. or its affiliates, used and registered throughout the world. Member of the Federal Deposit Insurance Corporation.

Recipients should not rely solely on this material and are strongly advised to consult independent professional advisors for tax, legal, financial, and/or other matters. Past performance is not indicative of future results. Citi expressly disclaims any liability for any loss or damage arising from reliance on the information contained herein. Client experiences and results may vary.

04/26 26-59CFD897

