



Investor Services

ETFs in Europe: Fortune favours the brave

European investor demand for Exchange Traded Funds (ETFs) may be soaring, but until recently a lot of global asset managers were holding off launching products in the region. Despite its vast capital raising potential, many ETF managers – particularly those in North America – have long perceived Europe to be a fragmented and complex market with high barriers to entry.

Although operating in Europe does have its own unique challenges and idiosyncrasies, these are not insurmountable, as many ETF managers are fast beginning to realize.

A market primed for growth

Assets managed by ETFs in Europe continue to benefit from strong inflows. According to ETFGI, European ETF assets raced past the U.S. \$3 trillion milestone in September 2025, corresponding to a 32.6% year-to-date (YTD) jump in assets.¹

A lot of these ETF flows are being driven by growing allocations from European retail investors.

“Historically, it was the institutional investors in Europe who were the big buyers of ETFs. Now, we are seeing more retail investors in Europe purchase ETFs, as they see them as a cost-effective tool to obtain better risk and return diversification,” said Peggy Vena, Global Head of ETF Services for Citi’s Investor Services.

ETF product innovation is another major pull factor for European investors. Actively managed ETFs in Europe now look after €49 billion in assets, a 385% increase since 2019,² and client appetite is showing no sign of wavering. Semi-transparent ETFs – whereby portfolio holdings are disclosed on a less regular basis than standard ETFs – have existed in the U.S. for a long time now but were given a boost in Europe following regulatory changes in France, Ireland and Luxembourg.

In addition, the digitalization of distribution channels, facilitated by the emergence of online platforms and neo-brokers, is helping to catalyze European retail investment into ETFs. This comes as reports suggest up to 77% of retail investors now use digital platforms, and hold 50% of their portfolios digitally,³ a trend that shows no sign of reversing course.

The rise of ETF Savings Plans, first introduced in Germany (where they are known as Sparplans), and now in other European markets, has also captured the attention of global ETF managers, said Vena.

Research from consultancy extraETF found the number of ETF savings plans in Germany increased from 7.1 million in 2023 to 9.5 million in 2024, whilst in the rest of Europe, there are currently 1.3 million plans, up from 500,000 in 2023.⁴

Slowly, but surely, global ETF managers are recognizing Europe’s growth potential.

ETF deployment and management is easier than you think

Yet despite all of these positive tailwinds, a lot of global ETF managers have been quite reticent about establishing funds in Europe, preferring instead to concentrate their marketing and distribution campaigns on North America and Asia-Pacific, according to Vena.

There are several reasons for this.

Notwithstanding the EU's integration agenda, harmonization remains a long way off. Unlike in the U.S., the EU has multiple currencies and cross-listing requirements, regulations are subject to local market changes, there is limited standardization around taxation and insolvency, and there are two International Central Securities Depositories (ICSDs) and dozens of national Central Securities Depositories (CSDs), whilst some individual countries even have several CSDs, each specializing in a different asset class.

Despite this, selling into Europe is not nearly as painful as people think.

"Fragmentation in Europe is the biggest issue facing non-European asset managers, but the challenges have been overstated, and we are starting to see firms once again target Europe – it is after all the second biggest ETF market in the world," said Farhaan Saleel, EMEA ETF Product Manager within Citi's Investor Services.

Whilst it is true the EU is not fully homogenous, the majority of global ETF managers will not be selling their products into all 27 EU markets. "Most managers will domicile their ETFs in either Luxembourg or Ireland, implement them as Undertakings for Collective Investment in Transferable Securities (UCITS) funds, and then distribute them into a handful of jurisdictions, with Germany probably being the most popular target market at the moment. It is critical firms have a refined marketing and distribution strategy," according to Saleel.

Whereas previously, ETF settlement in Europe occurred at the local CSD level, nowadays the process is more efficient, with the lion's share of transactions settling in either Euroclear or Clearstream.

Even where there are obstacles to distributing in Europe, these can be solved by collaborating with ETF asset servicers with strong local market expertise.

"The right provider will have a deep understanding of the regulatory and compliance landscape and how to navigate disclosure obligations, passporting rules, and portfolio transparency. The manager also needs a provider familiar with the details required to launch ETFs across different countries and jurisdictions. The right partner will also have a wide range of brokerage capabilities, including funding, financing, borrowing, lending, and collateral acceptance of ETFs. With the right partner, managers can streamline the ETF process workflow," added Vena.

Don't be put off by Europe

Benchmarked against the U.S., Europe is a harder market to operate in. However, many of the challenges around distribution have been exaggerated, whilst there are also plenty of solutions available to help ETF managers distribute their products seamlessly in Europe. With a lot of European investors still underweight ETFs, the region offers managers plenty of opportunities, all at a time when capital raising in other leading markets is slowing down.

- ¹ ETFGI – October 10, 2025 – [ETFGI research reports Europe's ETF industry surpassed \\$3 trillion milestone for the first time at end of September](#)
- ² EFAMA – April 15, 2025 – [The rise of active ETFs in Europe – A short overview](#)
- ³ Wealth Briefing – July 16, 2025 – [Investors, managers boost use of digital platforms; wide national variations – Amundi](#)
- ⁴ extraETF/iShares by BlackRock – November 2024 – [The ETF savings plan market in Continental Europe](#)

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