

Navigating growth: strategies for success in the Asia-Pacific ETF market

June 2025



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Key takeaways

1. The Asia-Pacific ETF market is experiencing rapid growth, marked by a rising interest in diverse investment strategies such as thematic and active ETFs, which are enhancing the competitiveness of the region's ETF market.
2. Growth in the Asia-Pacific ETF market is driven by increasing retail investor participation, favorable government policies, rising demand for specific investments and the inherent advantages of the market.
3. Regulatory compliance, market entry strategy and operational resilience are crucial elements for a successful ETF issuance.
4. EY services cover business setup, risk advisory and operational advisory.

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Executive summary

Asia-Pacific (APAC) exchange traded funds (ETF) Market:

A substantial and rapidly growing segment within the global ETF landscape.

Assets Under Management (AUM)

US\$1.99t¹
As of June 2025

Market Share

11.86%

of the worldwide ETF market.

Growth Rate

CAGR of
27.9%¹
over the past decade.

Significantly
outpacing the
global average.

Currently, Japan stands as the largest ETF market in the Asia-Pacific region, while India has exhibited the highest growth rate. Equity ETFs are the dominant product type across most Asia-Pacific markets, with Taiwan being a notable exception, as most of its ETF assets are concentrated in fixed income. The Asia-Pacific ETF market is expected to maintain its robust growth trajectory, driven by increasing investor interest and the expansion of actively managed ETFs.

Key factors for success

The substantial growth in the Asia-Pacific ETF market presents significant opportunities for new entrants.

New entrants must follow the momentum of the trend with resilient operation and robust infrastructure, to capitalize on this potential.

Successfully navigating the complexities of the Asia Pacific market, with its varying regulatory environments and investor preferences, demands a strategic and technologically advanced approach to ensure operational efficiency, regulatory compliance, and ultimately, market competitiveness.

This piece recommends a framework outlining the essential components to consider when entering the diverse and dynamic Asia-Pacific ETF landscape. It highlights the key trends driving market growth, regulatory considerations that must be addressed and insights on operations and technology that can support a new issuer's entry into the region.

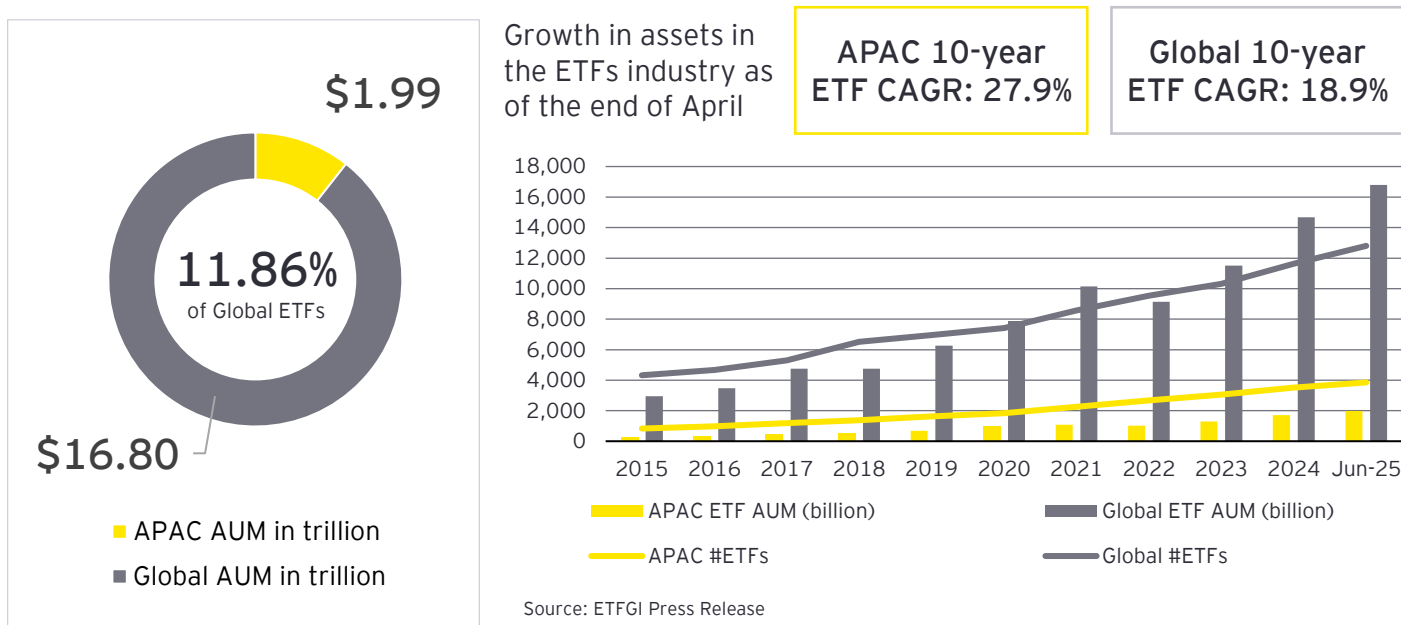
1. Source: ETFGI Press Release

Asia-Pacific ETF market landscape: growth and trends

APAC ETF market – a growing share of the global footprint

The global ETF market reached an unprecedented scale in 2024, with total AUM now surging to US\$16.8t.¹ This growth was broad-based, and every major market witnessing significant inflows ranging from 20% to 30%.²

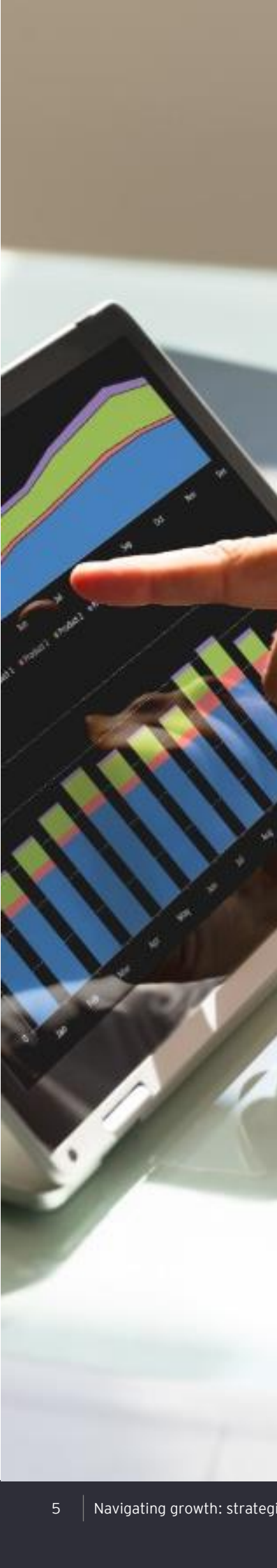
Within this global expansion, the APAC region stands out as a particularly dynamic and high-growth area. By the first half of 2025, this region has already reached an impressive US\$1.99t in AUM, accounting for 11.86% of the worldwide ETF market.¹ The market's 10-year average CAGR of 27.9% highlights a strong and sustained growth momentum, significantly exceeding the global 10-year average CAGR of 18.9% and indicating a robust adoption rate among investors.¹ Projections indicate that the APAC ETF market is poised for a remarkable 30% expansion in 2025, signifying the region's increasing importance in the global ETF ecosystem.³



1. Source: ETFGI Press Release

2. 2025 Global ETF Outlook: The expansion accelerates, State Street, February 2025

3. Asia-Pacific ETF market expected to grow 30% in 2025, The Asset, March 2025



A significant shift in the APAC ETF landscape is anticipated in 2025, with key trends to be noticed.²

Chinese mainland

Expected to surpass Japan as the largest ETF market in the region, with projections of over **US\$700b** in AUM fuelled by a **75%** year-on-year (YOY) growth in 2024, bolstered by government initiatives to increase local equity holdings.²

Japan

Remains robust and demonstrate resilience, with over **US\$10b** in net inflows in 2024 despite the cessation of the Bank of Japan's ETF purchases. **Reforms to its Nippon Individual Savings Account (NISA)** are expected to boost retail participation.²

Taiwan

ETF market outpaces its mutual fund, now accounting for **65%** of its total market, with a remarkable **54%** asset growth fuelled by strong retail interest and the recent approval of active ETFs.²

Australia

ETF market also continues its upward trajectory, with net inflows projected exceeding **US\$30b**, particularly from self-managed superannuation funds.²

South Korea

ETF market is witnessing a surge in active ETFs, with which expected to exceed **33%** of the total market and over **US\$150b** in AUM, indicating a shift toward more dynamic investment strategies.²

Hong Kong

While maintaining a flatter growth rate, is seen to continue benefiting from its strategic role as a gateway to Chinese mainland and is innovating with the listing of spot crypto ETFs.²

2. 2025 Global ETF Outlook: The expansion accelerates, State Street, February 2025



While asset inflows encourage more ETF launches, the innovation becomes key for competitiveness. Currently, the market share of various ETF products in different economies showcases the unique characteristics of each market. As of 2023, **Equity ETFs** dominate the APAC ETF market, for example Japan was leading at 97% of its US\$511b AUM, Chinese mainland at 79% of US\$219.5b and Hong Kong at 82% of US\$48.7b.⁴ **Fixed income ETFs** represent the second most significant category in APAC. Taiwan stands out distinctively as the largest, comprising 53% of Taiwan's US\$120.8b total ETF AUM. India's debt ETFs have shown significant growth, reaching an AUM of INR 96,163 crores by March 2024. **Commodity ETFs** remain smaller in scale with Japan and Chinese mainland primarily focusing on gold.



To be noticed, **thematic ETFs** are gaining popularity in the APAC region, driven by investor interest in specific trends. In Chinese mainland, thematic equity ETFs reached US\$108b by June 2023, with technology products making up over half.⁶ Taiwan is seeing increased interest in themes like 5G and ESG.⁶ South Korean investors are also showing growing interest in themes like K-Pop, EV and semiconductor.⁴ Hong Kong's thematic ETFs have experienced over 40% CAGR, reaching HK\$62.6b (US\$8b),⁵ with new rules potentially allowing artificial intelligence (AI) and biotech ETFs to list on the Saudi Exchange.⁷

Active ETF is expected to play a crucial role with State Street's forecasts, driven by the open market and innovative diversified ETF products.⁸ South Korea launched active ETFs in 2017 and is one of the highest penetrations of active ETFs globally, with active ETFs accounting for more than 31% of its total ETF assets. Despite facing political turmoil in 2024 and a 10% decline in the KOSPI index, the ETF market still attracted US\$61b inflows, pushing a 58% YOY increase in total ETF size.⁸ Chinese mainland approved them in 2021, and Hong Kong and Japan introduced active management ETFs in 2023, while Taiwan is set to join in 2025.⁸

Other ETF types, including leveraged and inverse and currency ETFs, are present in the APAC market but vary in prevalence. In 2023, South Korea's leveraged and inverse products made up 10% of total ETF assets, and in Hong Kong, they accounted for 5%.⁴

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- 4. Understanding Hong Kong's ETF Market Landscape, Hang Seng Investment Management, March 2024
 - 5. Enhancing portfolio versatility and liquidity with ETFs, Partner Content, AsianInvestor, 19 August 2024
 - 6. APAC: Retail investors boost growth of thematic ETFs, Broadridge, 29 September 2023
 - 7. Thematic Hong Kong AI and biotech ETFs may be offered on Saudi Exchange, CEO says, South China Morning Post, 2 June 2025
 - 8. Global Trends in Active ETFs: A Comprehensive Overview of Market Development, Policy Evolution, and Investor Behavior Transformation, TWSE, Market Insight, 21 May 2025

Factors driving the growth of APAC ETF Market

Overall, the APAC ETF market shows varied growth across different types and markets, with increasing interest in innovative investment strategies.

There are several factors driving the growth of the ETF market in the APAC region:

Investor composition

Retail investors are increasingly participating in the ETF market across key markets such as Japan, South Korea and Australia, signaling a broadening adoption beyond institutional players. As of 2023, Taiwan, Korea, Australia and Chinese mainland are already dominated by retail investor.⁴

Government policy

Government support and evolving regulatory frameworks in various Asia-Pacific countries and regions are also playing a crucial role in facilitating the growth and accessibility of ETFs. For example, Chinese mainland's large portion of equity ETF is further supported by the Chinese government's directive for fund firms to increase their holdings of local equities, making ETFs an efficient vehicle for achieving this mandate.⁴

Demand for specific investment

There is a growing demand for thematic and active ETFs that cater to specific investment strategies and emerging trends, including AI and automation.

Private wealth

The increasing private wealth in the region, combined with a shift towards more accessible digital investment platforms, further contributes to the expanding ETF market.

Cross-border opportunities

The development and expansion of ETF Connect schemes, which enhance cross-border investment opportunities, also invigorate market activity.

ETF inherent advantage

Lower costs, greater transparency and enhanced liquidity compared to traditional investment products, continue to attract a wider range of investors.

4. Understanding Hong Kong's ETF Market Landscape, Hang Seng Investment Management, March 2024



Considerations leading to successful launch of your ETF

Regulatory and compliance considerations

Market entry strategy

Operating model and tech infrastructure

Any ETF asset manager must consider three areas when venturing into this space:

1. Regulatory and compliance considerations

The APAC region features a complex and diverse regulatory landscape for ETF issuers, with each market having its own rules and compliance requirements. This fragmentation complicates expansion for new entrants, necessitating a thorough understanding of local regulations to ensure operational efficiency.

Key regulations include listing rules, which vary across markets, emphasizing strict disclosure standards. Initiatives such as the ETF Connect program and the Asia Region Funds Passport facilitate cross-border investment but require issuers to navigate specific eligibility criteria.

Additionally, the region is increasingly open to innovative ETF products, with Hong Kong streamlining approvals for leveraged ETPs and Taiwan allowing active ETFs. This regulatory environment presents significant opportunities for new issuers willing to engage with complex compliance requirements.

2. Market entry strategy

A successful market entry into the APAC ETF market requires a well-defined strategy that considers the region's unique characteristics. New issuers should carefully consider focusing on specific markets initially based on a thorough analysis of growth potential and the regulatory environment.



For instance, targeting high-growth markets like Chinese mainland or Taiwan might be a priority. Understanding and catering to the diverse investor preferences across different APAC markets is also crucial, such as recognizing the strong retail demand in markets like Taiwan and South Korea versus the institutional dominance in Japan and Hong Kong. Following the momentum and government supported area can also help you capitalize on emerging trends. Leveraging cross-border initiatives like ETF Connect and the Asia Region Funds Passport can facilitate expansion and access to new investors.

3. Operating model and tech infrastructure

Establishing a robust operating model is crucial for new ETF issuers entering the APAC market, incorporating key functions such as product development, portfolio management, order execution and compliance to successfully develop, manage and distribute ETF products. This includes careful index selection, fund structuring, effective trading systems and strong relationships with authorized participants (APs), market makers and custodians.

A roust and well-integrated technology infrastructure is indispensable for a new issuer or asset manager, featuring functions such as portfolio management systems (PMS), order management systems (OMS) and compliance monitoring tools to ensure operational efficiency.

At a high-level view, below are the key infrastructure components that industry participants will need to build capabilities for:





How EY professionals can help in your ETF journey

We recognize the three main groups of players critical to the success of this ecosystem:

- ETF asset managers
- Liquidity providers or market makers
- Custody service providers

1

ETF asset managers

2

Liquidity providers or market makers

3

Custody service providers

EY is your trusted business advisor through these three aspects:

1. Market entry strategy and business setup

We help highlight market trends and investor preferences to provide insights on the competitive landscape.

- Market trend analysis report.
- Market entry regulatory compliance.

2. Risk management best practices

We guide you in navigating the risk management requirements across jurisdictions.

- Market and credit risk modeling and monitoring.
- Liquidity risk monitoring and compliance.
- Ongoing regulatory compliance and reporting support (e.g., Fund Managers Code of Conduct compliance).

3. Operating model design and fit-for-purpose technology selection

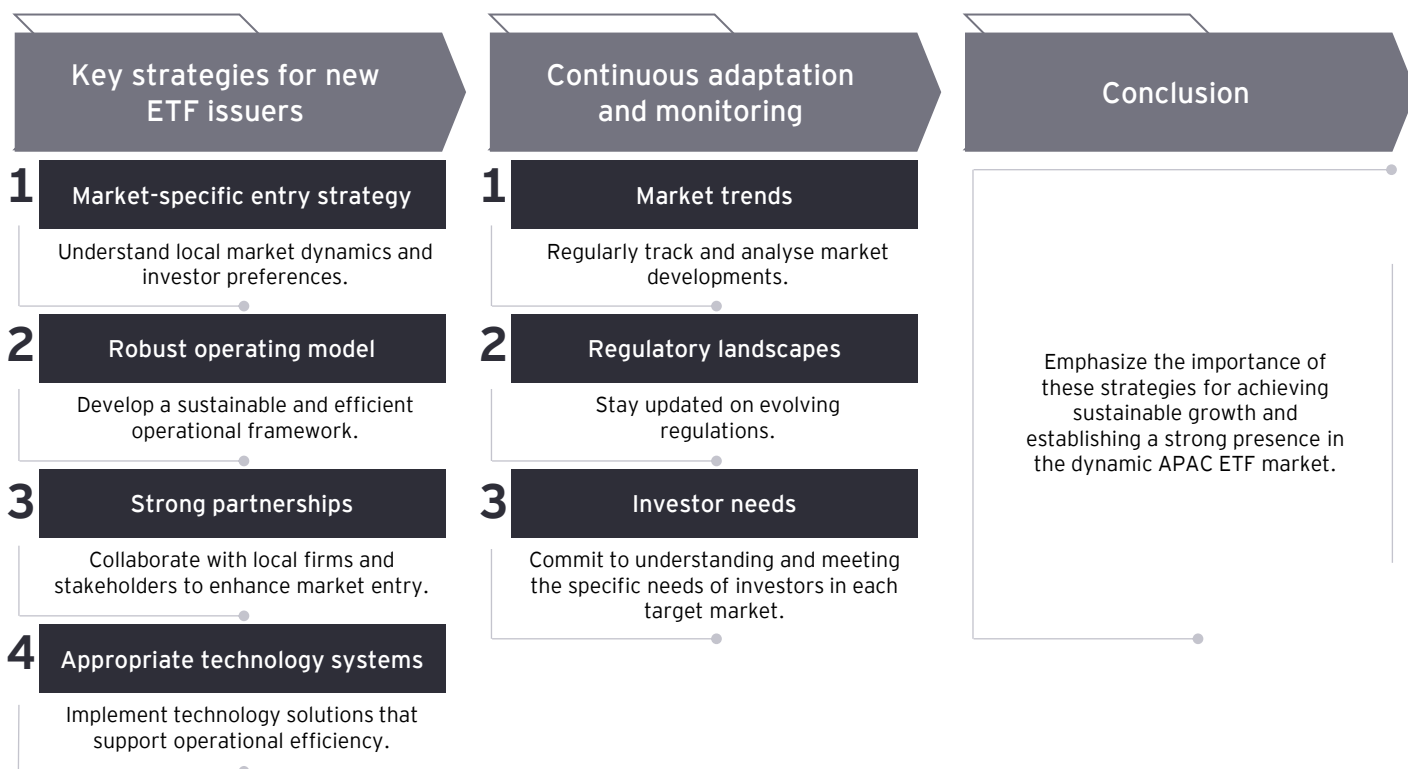
- EY can advise on process optimization to streamline operations, enhance transparency and lower operational risks.
- We can also assist in technology and operations integration with APs and custody services (FA and TA) providers to ensure that all touchpoints from market data feeds to execution platforms operate seamlessly.
- We can enable your team to adopt advanced analytics, automation and AI-driven insights that can reduce tracking error and deliver real-time performance metrics.

Conclusion and recommendations

Entering the APAC ETF market presents a compelling opportunity for new issuers, given the region's robust growth projections and evolving investor landscape. However, success in this diverse and complex market requires thorough consideration of multiple factors.

New ETF issuers should prioritize a market-specific entry strategy, followed by building a robust operating model, establishing strong partnerships and the selection of appropriate technology system. By carefully considering these factors, new ETF issuers can position themselves for success in the burgeoning Asia-Pacific ETF market. Continuous monitoring of market trends, adaptation to evolving regulatory landscapes and a commitment to meeting the specific needs of investors in each target market will be key to achieving sustainable growth and establishing a strong presence in this dynamic region.

Strategies for success in the APAC ETF Market



Contact EY Teams



Sky So
Partner
Risk Consulting
Ernst & Young Advisory
Services Limited
sky.so@hk.ey.com



Teelie Chua
Partner
Risk Consulting
Ernst & Young Advisory
Services Limited
teelie.chua@hk.ey.com

Editorial



Joyce Zhao
Consultant
Risk Consulting
Ernst & Young Advisory
Services Limited
Joyce.XY.Zhao@hk.ey.com

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