

Asia's first spot bitcoin, ether ETFs start trading in Hong Kong

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Hong Kong on Tuesday launched trading of Asia's first spot bitcoin and ether exchange-traded funds.

Hong Kong on Tuesday launched trading of Asia's first spot bitcoin and ether exchange-traded funds (ETFs), moving forward in the city's race to

become a regional virtual asset investment hub.

The debut comes three months after the United States gave the green light to ETFs pegged to bitcoin's spot price, making it easier for mainstream investors to add the unit to their portfolio.

Hong Kong's pioneering crypto ETFs on the city's bourse include six funds issued by three managers—Bosera Funds, China Asset Management (Hong Kong) Limited and Harvest Global Investments.

Each company issued a spot bitcoin and a spot ether ETF, which can be traded in both Hong Kong and US dollars, while ChinaAMC (HK) also allowed trading in Chinese yuan.

"These are the first spot ETF products of virtual assets in (the) Asia market, which has proven Hong Kong's leading status in virtual asset development in the region," Joseph Chan, the city's undersecretary for financial services, said at the bell tolling ceremony in the morning.

He added that the government would submit a proposal for creating a licensing scheme for over-the-counter virtual asset trading services to the city's legislature "as soon as possible".

By the close of trade Tuesday, the new bitcoin ETFs recorded an average price rise of nearly 1.7 percent, while the ether ETFs dropped about 0.5 percent.

CCData, a digital assets analysis firm, said Friday that the new funds were "predicted to not attract the same level of inflows as those in" the United States.

But "industry experts believe they might encourage other nations to approve cryptocurrency ETFs and could help promote the wider

adoption of digital assets", it said.

'Obvious advantage'

Hong Kong also allows investors to carry out in-kind creation and redemption through eligible dealers. That means bitcoin and ether—instead of official currencies such as the US dollar—can be used to invest in the ETFs.

Han Tongli, CEO of Harvest Global, said having in-kind trading in Hong Kong was an "obvious advantage over the United States".

"I believe we are not rivaling against our peers in Hong Kong but the large fund management companies in the US," Han said, according to Hong Kong-based news outlet Techub News.

"We are competing with them on behalf of Hong Kong, we are defending and developing Hong Kong's status as an international financial hub."

Han added that Hong Kong could also be a sandbox for China to test virtual asset trading—which remains banned in the mainland.

In the United States, demand for bitcoin ETFs has slowed after a strong start in early February, according to data from Farside Investors.

Hong Kong has been trying to edge ahead as a regional digital asset hub.

Last December, the city's regulatory Securities and Futures Commission said it was ready to allow retail investors to buy funds that are 100 percent invested in some of the digital assets, triggering the first wave of applications from fund managers.

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