

How Digital Transformation is Unlocking the Next Phase of Asia's ETF Growth

Exchange traded funds (ETFs) were pioneered in North America followed by expansion in Europe, but Asia has been catching up fast. ETF growth rates across multiple markets in the region over the last few years has been unprecedented. This growth both in terms of scale and complexity is challenging the legacy operating models and driving the need for a more seamless and agile end-to-end operating model to support the broader ETF ecosystem.

To capitalise on the region's ETF boom and manage what are increasingly complex products, the sector is moving beyond the fragmented and manual middle/back-office processes that cramp the market's rapid expansion and is now adopting automated, end-to-end digital platforms that can scale without friction.

Retail winds fanning Asian markets

Asia is the fastest-growing ETF market in the world. ETF assets in Asia-Pacific closed 2025 with a combined value of USD2.43 trillion and flows rising 42% over the year.¹²

In Hong Kong, average daily turnover doubled in the first nine months of 2025 to USD4.8 billion³ while in Singapore, total ETF assets under management surged 67% in the first half of 2025 to SGD14.3 billion (USD11.2 billion), with gold and sustainability-based ETFs seeing notable demand.⁴ In Taiwan, the ETF boom continued through 2025, with the number of cumulative beneficiary accounts rising by 20% year-on-year to over 14 million and total listed assets grew by 36% to NTD4.63 trillion (USD147 billion).⁵

What explains the boom? The appeal of ETFs in Asia is much the same as it is globally. Costs and fees are lower than those of actively managed mutual funds. ETFs are richly thematic, and – particularly important to younger generations used to buying things with a few swipes on a phone – they are easily accessible, being traded on secondary markets.

These advantages are prompting even active funds to create ETF wrappers for their products, and these are proving particularly popular in Asia, outpacing the growth of passive ETFs over the past decade.⁶

The scene behind the scenes

The rapid expansion of Asia's ETF market has however generated intense competition and pressure behind the scenes. Asset managers face significant margin compression as the returns between active and passive products converge.

¹ <https://www.asianinvestor.net/article/asia-pacific-etfs-surge-past-2-4-trillion-as-china-leads-global-growth/507417>

² <https://fundselectorasia.com/record-year-for-etfs/>

³ <https://www.scmp.com/business/banking-finance/article/3329561/hong-kong-exchange-sees-further-growth-ahead-record-setting-etf-market>

⁴ https://www.linkedin.com/posts/sgxgroup_etf-growth-accelerates-in-1h-2025-activity-7354071774101168128-_m4v/

⁵ https://www.twse.com.tw/market_insights/en/detail/8a8216d69c37647f019cbcf03016a

⁶ <https://www.asiaasset.com/exchange-traded-funds/asia-pacific-etf-growth-seen-driven-by-active-strategies-cross-border-access/>

Additionally, the popularity of gold and Bitcoin ETFs has seen funds racing to discover the next trending theme, with a corresponding rise in increasingly complex synthetic products.

Fund managers are also seeking to tap pools of demand not only in Asia's mature financial markets but in emerging hotspots like India, Indonesia, Malaysia, Thailand and Vietnam. The licensing and regulatory requirements of catering to so many diverse Asian markets add to the complexity.

The result is that the earlier adopted operating models, systems and tools deployed in the ETF space now find that legacy systems are too disjointed to scale up painlessly. Many Participant Dealers (PDs) in the region still resort to email and even faxes to place ETF creation and redemption orders and the subsequent lifecycle of these orders has also relied on cumbersome processes across ETF issuers and service providers.

Manual interventions are bottlenecks that carry risks compounded by the complex string of counterparties needed to make ETFs work. With traditional funds, an investor can go to a fund house or its Transfer Agent and buy units on the primary market. While ETFs are easily accessible by investors, the order lifecycle is longer and more complex involving the issuer, PDs, custodian banks, trustees, market makers and stock exchanges.

Friction arises not just from errors but from delays. Slippage costs occur when market movements result in the price at which a trade is executed differing from the price initially expected. Amidst highly volatile markets and more and more jurisdictions moving to shorter settlement cycles, eliminating manual delays that can incur such costs becomes ever more essential to competitiveness, given such costs scale with rising volumes.

Digital agility for supple scaling

Through developing an end-to-end digital platform that allows for straight-through processing, banks like Standard Chartered can eliminate the manual stretch-points that are placing so much pressure on fund managers, PDs and other upstream participants.

Standard Chartered has established a digital end-to-end ETF servicing solution that is fully integrated with its core infrastructure providing custody, fund administration and transfer agency services. It is designed to streamline and future-proof the order processing from start to end, creating a foundation that allows clients to navigate rapid industry changes while scaling their businesses efficiently.

"We are supporting our clients with solutions that are digital-first and truly scalable, so they can keep growing rapidly as the market landscape changes around them." Ying Ying Tan, Global Head of Product, Financing & Securities Services at Standard Chartered.

By putting in place a solution with rich features and workflows that works with various types of ETFs in different markets, Standard Chartered's aim is to foster end-to-end assurance that allows leaders to focus on building the next generation of ETFs, without being held back by day-to-day functionality issues.

This digital transformation marks a turning point for Asia's ETF ecosystem, unlocking new efficiencies and strengthening its standing in the global ETF market.