



# Silver



## Crypto ETPs in Europe—2026

A review of the market as the FCA changes ISA eligibility rules for UK investors.



# Gold



# Bronze



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## Morningstar Manager Research

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**Correction (May 6, 2026):** The exhibit on slide 7 has been updated to display numbers in the millions instead of thousands.

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# Key Takeaways

## Regulation: What's Changing?

- From April 6, 2026, cryptocurrency exchange-traded notes will no longer be eligible for stocks and shares ISAs but instead will be eligible for the less common innovative finance ISA.
- Last year, on Oct. 8, 2025, the Financial Conduct Authority allowed retail access to bitcoin and ether cETNs, with several safeguards and regulations in place to protect this investor segment.
- This lifted a four-year ban on access to these products, and initially following this access, investors were eligible to hold cETNs in stocks and shares ISAs.

## The European Crypto ETP Market in Figures

- Investor demand for crypto exchange-traded products peaked in September 2025, with recorded net inflows exceeding EUR 1 billion. Following this peak, flows into digital assets ETPs have slowed, as major cryptocurrencies, including bitcoin, have experienced a drawdown.
- CoinShares, 21shares, and WisdomTree were the leading providers of Europe-domiciled crypto ETPs by assets under management at the end of February 2026.
- Bitcoin's dominance as the primary cryptoasset is clear in the European crypto ETP market, where single-asset bitcoin products represent over 60% of total assets under management.

## Allocation Considerations

- Over the past 10 years, the leading cryptocurrencies, bitcoin and ether, have delivered strong returns but with far greater volatility than traditional risky assets, such as equities. More recently, the drawdown since October 2025 has weakened shorter-term returns, underscoring this volatility.
- This heightened risk/reward profile means cryptocurrencies should represent only a modest allocation within a diversified portfolio, if included at all. Given their extreme price swings, uncertain long-term prospects, and valuation challenges, a maximum allocation of 5% is prudent, with a minimum holding period of 10 years.

# Crypto ETN UK Regulation

# Retail Access to Crypto ETNs in the UK

## Regulatory Context

- Effective Oct. 8, 2025, the UK FCA allowed retail investors to access crypto ETNs, provided they are traded on a UK-based investment exchange or a recognized investment exchange. This marked a reversal of the FCA's January 2021 ban, which had prohibited retail access to such products owing to concerns over unreliable valuation methods, limited investor understanding of cryptoassets, and high price volatility.
- However, the FCA still restricts retail access to cryptoasset derivatives. Derivatives are financial contracts that can provide leveraged price exposure to an asset.

## Crypto ETN Requirements

- There are currently five recognized investment exchanges: ICE Futures Europe, London Stock Exchange, London Metal Exchange, Aquis Stock Exchange, and Cboe Europe.
- The [FCA requires crypto ETNs to meet the following criteria](#) to be admitted for trading on an RIE:
  - The underlying asset must be either bitcoin or ether.
  - Products must be physically backed by the underlying cryptocurrency.
  - Cryptoassets must be held in cold storage (that is, offline) or an equivalent secure arrangement and must be safeguarded by one or more regulated custodians.

# Regulatory Overview and Context: Cryptocurrency ETNs & ISAs

## Regulatory Change

- After Oct. 8, 2025, as the Financial Conduct Authority permitted retail access to cryptocurrency exchange-traded notes, investors became eligible to hold cETNs in both adult and junior stocks and shares ISAs.
- However, from the start of the 2026/27 UK tax year, on April 6, 2026, cETNs will no longer qualify for inclusion in stocks and shares ISAs but instead will be eligible for [innovative finance ISAs](#).
- **Self-invested personal pensions**, as registered pension schemes, also became eligible to hold cETNs from October 2025. HMRC has not announced any change to the treatment of cETNs in pensions.

## Practical Implications

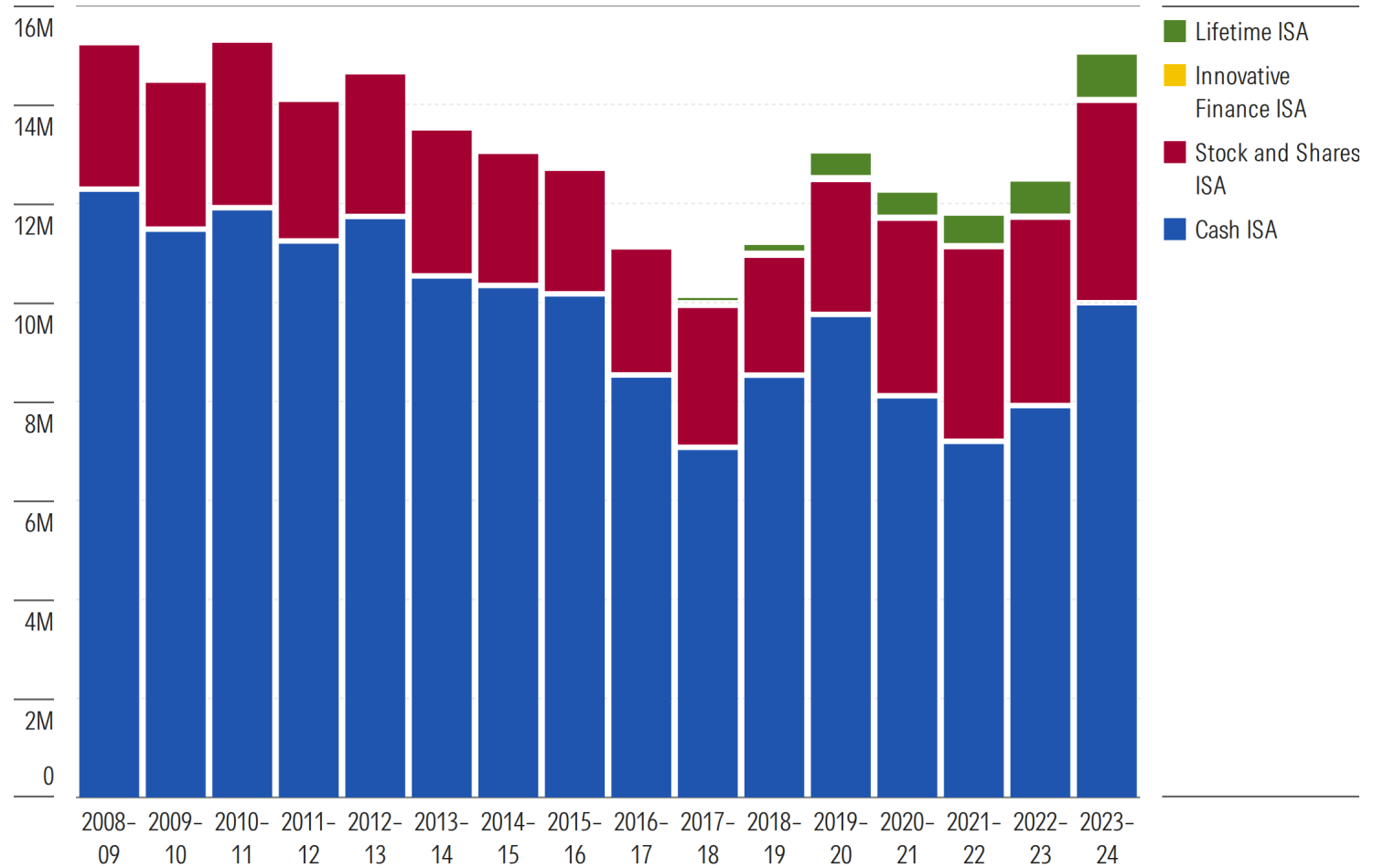
- HM Revenue and Customs has stated that individuals who hold cETNs in adult or junior stocks and shares ISAs, before April 6, 2026, will be able to retain these holdings in their accounts.

# ISA Overview

## Difference Between ISAs

- There are four types of ISAs for adults: cash ISAs, stocks and shares ISAs, [innovative finance ISAs](#), and Lifetime ISAs. Additionally, individuals under 18 can access junior cash ISAs and stocks and shares ISAs.
- In [any type of ISA](#), investors do not need to pay tax on interest earned from cash nor on an investment's income or capital gains.
- **Innovative finance ISAs** are designed to support more long-term, less-liquid investments and cash. Qualifying investments include peer-to-peer loans, crowdfunding debentures, alternative finance arrangements, less-liquid investments, and cash.
- Launched in 2016, IF ISAs are significantly less popular than other ISA types. IF ISAs account for about 0.09% of the total number of adult ISA accounts subscribed to in the 2023-24 tax year.
- Platforms that do offer IF ISAs typically focus on peer-to-peer lending or crowdfunding, and [currently no UK platform offering the IF ISA is also authorized to sell crypto ETNs](#).

## Number of Adult ISA Accounts Subscribed To per UK Tax Year



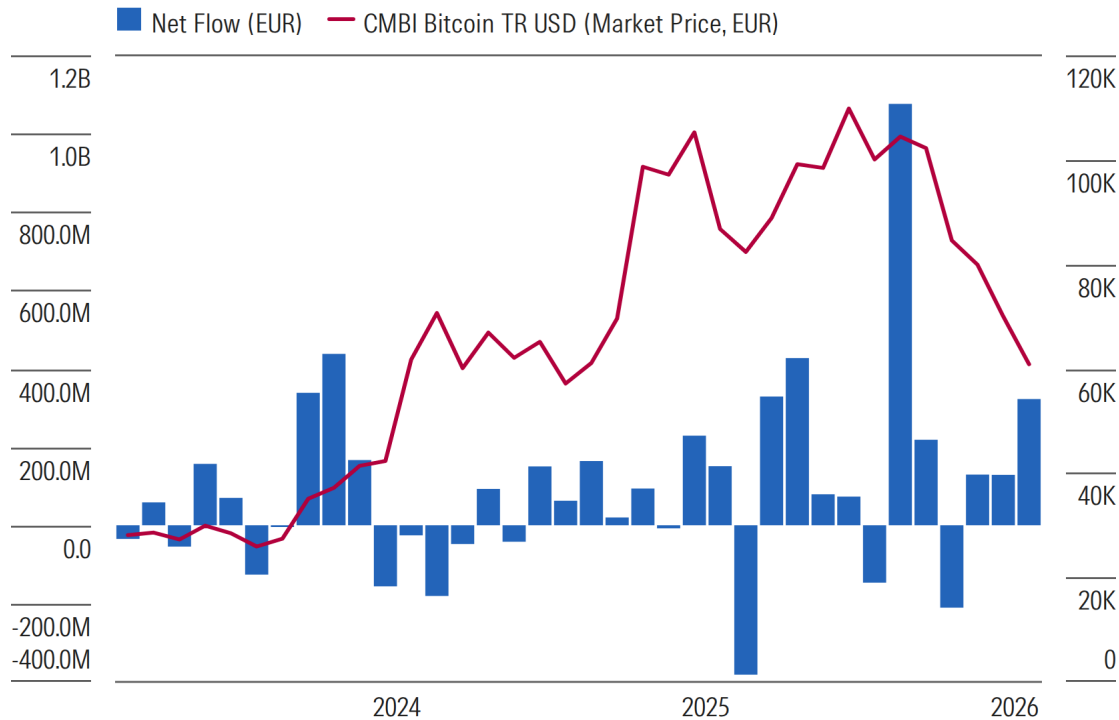
# European Crypto ETP Market in Figures

## Top ETPs and Providers in Europe

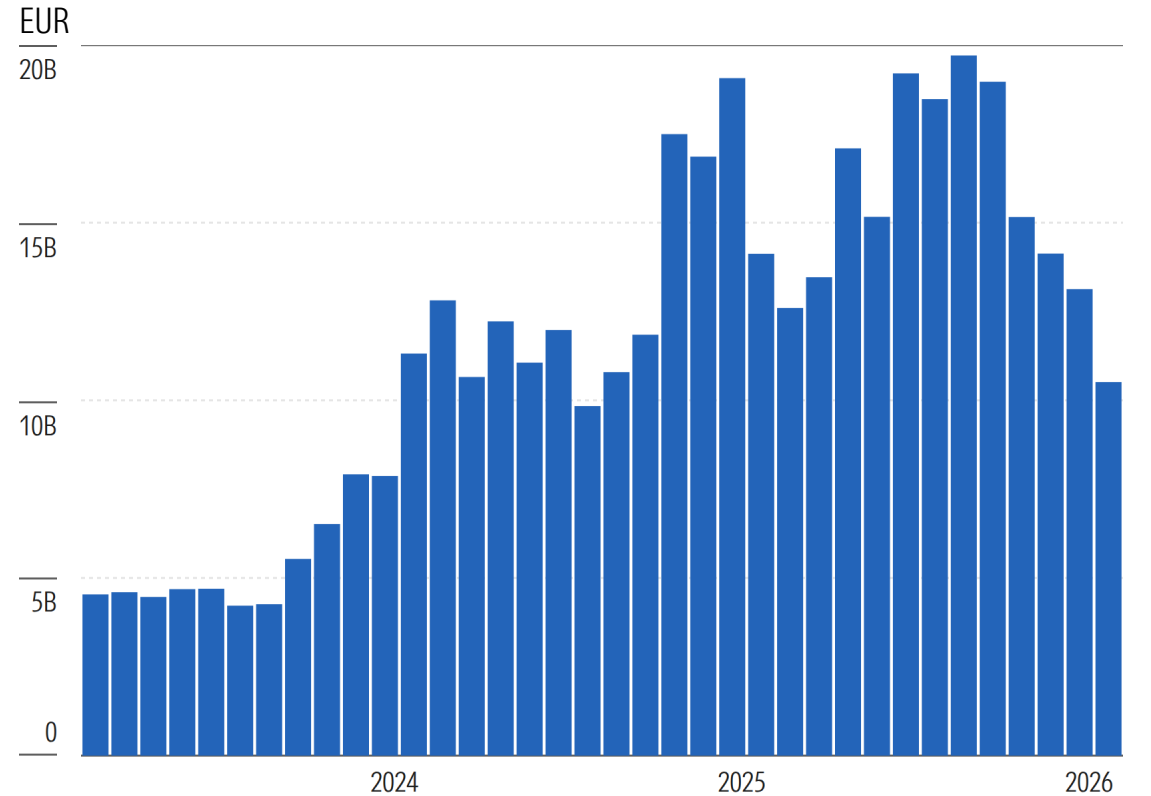
Monthly flows into European digital assets ETPs peaked in September 2025, with over EUR 1 billion in net flows. This record high of inflows coincided with bitcoin's price reaching an all-time high in October 2025.

Following this, flows into digital assets ETPs have slowed, as major cryptocurrencies, including bitcoin, have experienced a drawdown. Additionally, assets in European crypto ETPs' total assets have nearly halved since their peak in October 2025, decreasing from EUR 19 billion to EUR 11 billion as of February 2026.

### Net Flows Into European Digital Assets ETPs and Price of Bitcoin



### Total Net Assets Europe-Domiciled Crypto ETPs



Source: Morningstar Direct. Data as of March 13, 2026.

See Important Disclosures at the end of this report.

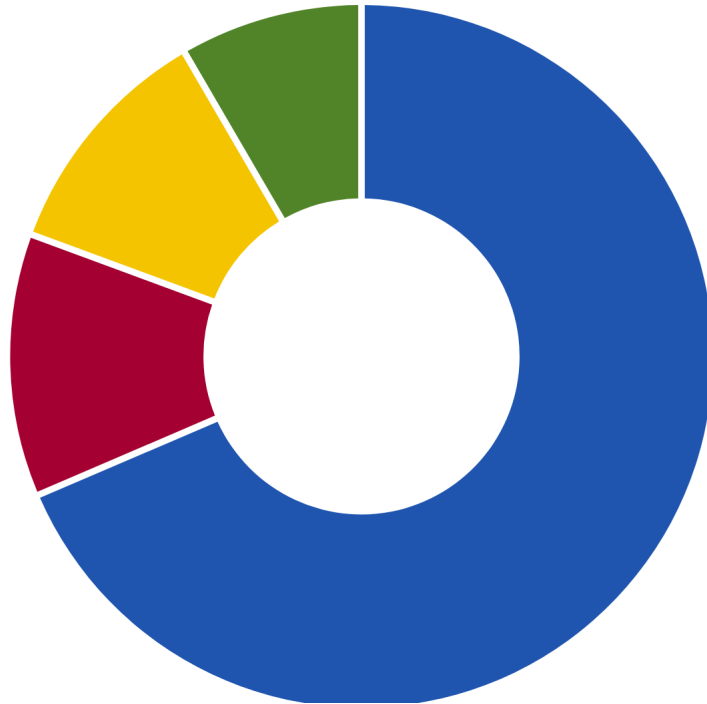
## Types of Crypto ETP Exposure

- European ETPs can be classified into four categories: those offering exposure to bitcoin, ether, alternative cryptocurrencies, or diversified basket products.<sup>1</sup>
- Single-crypto exposure products, excluding those targeting bitcoin or ether, are classified as alternatives.

- Products with multicrypto exposure are considered basket products.
- Although the majority of ETPs by number fall into the alternatives category, the majority of assets are concentrated in single-exposure bitcoin products.

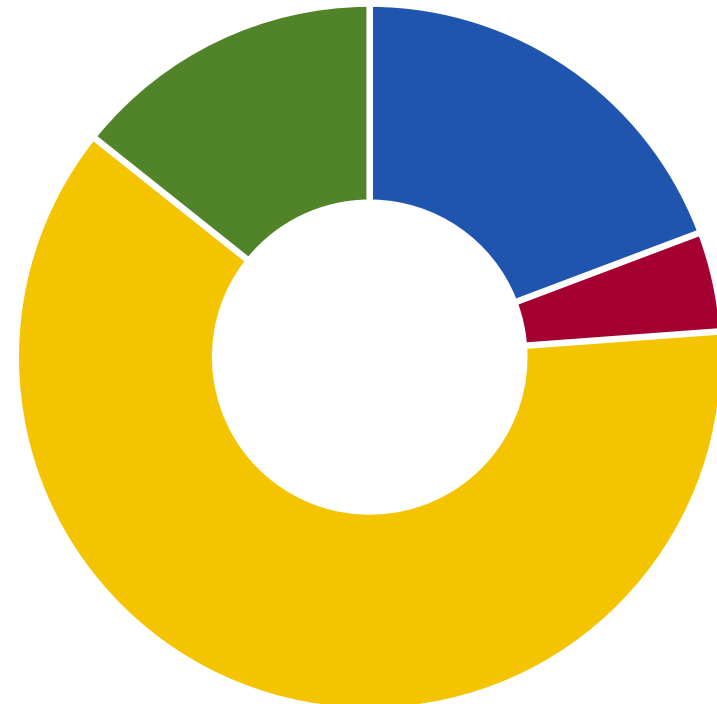
### Crypto Offerings by Number of ETPs

Alts 68% Basket 12% Bitcoin 11% Ether 8%



### Crypto Offerings by Assets

Alts 19% Basket 4% Bitcoin 62% Ether 14%



## Top ETPs and Providers in Europe

- CoinShares, 21shares, and WisdomTree were the leading providers of Europe-domiciled crypto ETPs by assets under management as of the end of February 2026.
- Valour offers the highest number of crypto ETPs, with 87 products, followed by 21shares with 57.
- The largest ETPs by assets are CoinShares Bitcoin ETP, WisdomTree Physical Bitcoin, and iShares Bitcoin ETP.

### Top 10 Crypto ETP Providers in Europe by Assets

Provider	Assets (EUR Billion)
CoinShares (XBT Provider)	3.44
21shares	2.42
WisdomTree	1.38
Bitwise Europe	1.25
BlackRock	0.75
VanEck	0.70
Valour	0.40
Invesco	0.26
Fidelity International	0.24
Virtune	0.23

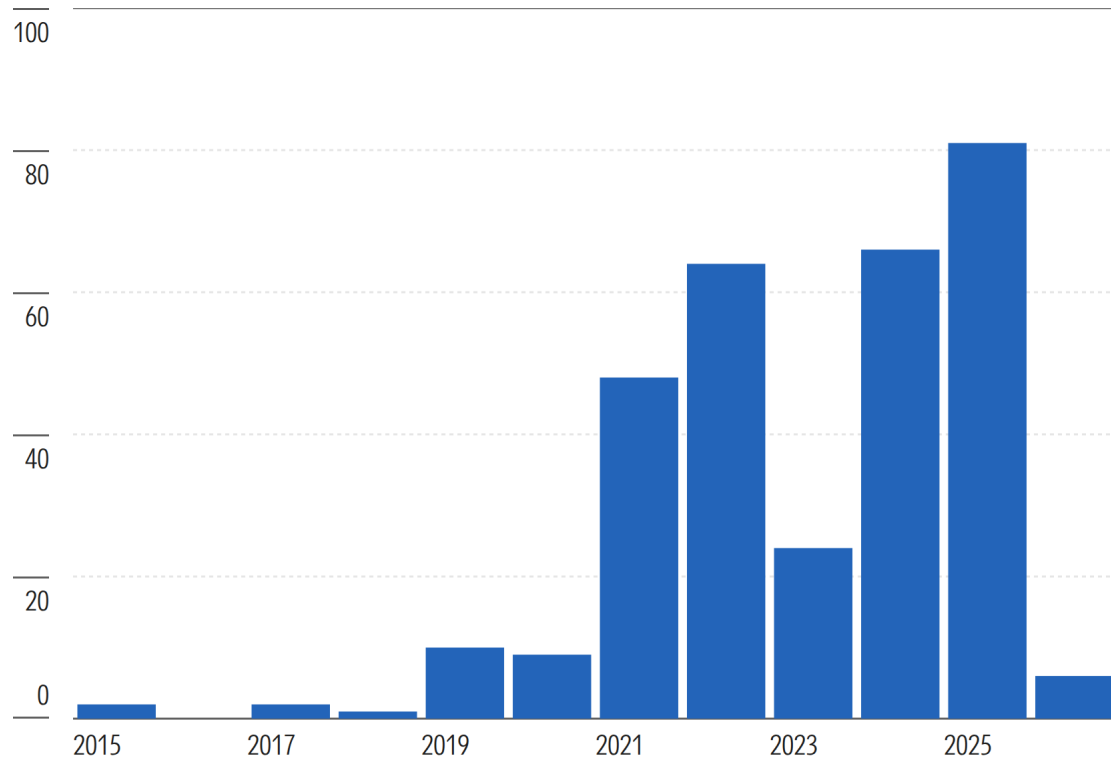
### Top 10 Europe-Domiciled Crypto ETPs

ETP Name	ISIN	Inception Date	Fund Size (EUR Billion)
CoinShares Bitcoin ETP	GB00BLD4ZL17	19/01/2021	1.22
WisdomTree Physical Bitcoin	GB00BJYDH287	02/12/2019	1.07
iShares Bitcoin ETP	XS2940466316	18/03/2025	0.75
Bitwise Physical Bitcoin ETC	DE000A27Z304	08/06/2020	0.69
CoinShares XBT Prov Bitc. Tracker EURETN	SE0007525332	15/09/2015	0.59
CoinShares XBT Bitcoin Tracker One ETN	SE0007126024	18/05/2015	0.57
21shares Bitcoin ETP	CH0454664001	26/02/2019	0.50
21shares Solana Staking ETP	CH1114873776	30/06/2021	0.45
VanEck Bitcoin ETN A	DE000A28M8D0	19/11/2020	0.42
21shares Bitcoin Core ETP	CH1199067674	29/06/2022	0.35

# Crypto ETPs in Europe: Launches and Closures

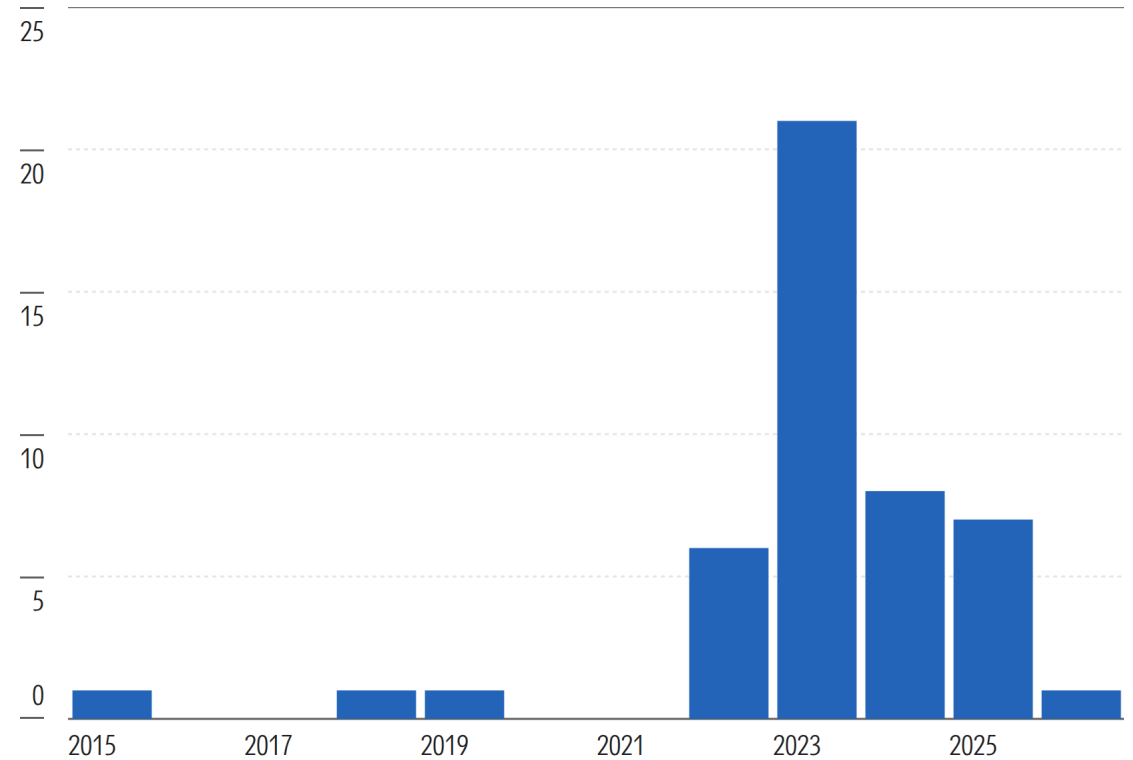
The majority of crypto ETPs in Europe were launched in the past five years. The strongest year for ETP openings was 2025, with just over 80 products launched. So far in 2026 (through the end of February), six crypto ETPs have been launched.

**Number of Crypto ETPs Launched Per Year**



The year 2023, the worst for existing ETPs, saw 21 closures, driven by low investor demand and firms consolidating operations amid a challenging market environment. In 2025, seven crypto ETPs closed, while only one closed over the first two months of 2026.

**Number of Crypto ETPs Closed Per Year**

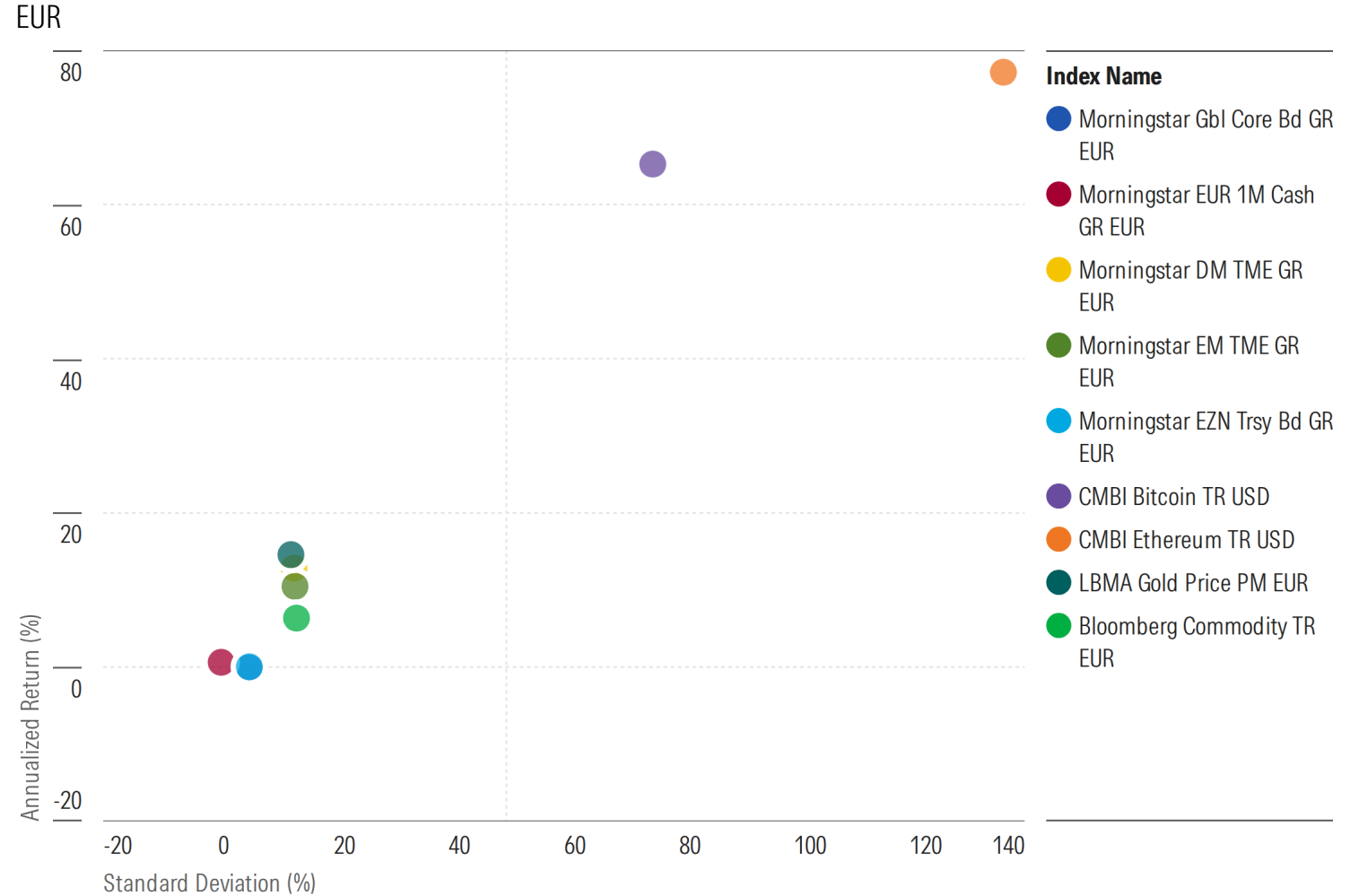


# Risk and Return

# Crypto's Performance Compared

- Cryptocurrencies represent the most extreme risk/reward trade-off compared with other core assets, such as equities.
- Over the 10-year trailing period ended February 2026, bitcoin and ether delivered impressive annualized returns.
- Over this period, bitcoin's and ether's volatility, as measured by standard deviation, was significantly high at around 75% and 136%, respectively, compared with traditional assets. For instance, for emerging-market stocks, it was 13%.
- Over the trailing one-year period to the end of February 2026, bitcoin and ether had returns (in euros) of negative 30% and negative 23%, respectively, reflecting the major cryptocurrency drawdown that began in October 2025.
- Very modest allocations to cryptocurrency can significantly amplify a portfolio's overall risk and return profile. And this can work in favor of or against investors, who need to be willing to stomach wild swings.

**Risk and Return Since March 2016: Bitcoin and Ether vs. Other Assets**



# Crypto ETP Performance and Fees by Group

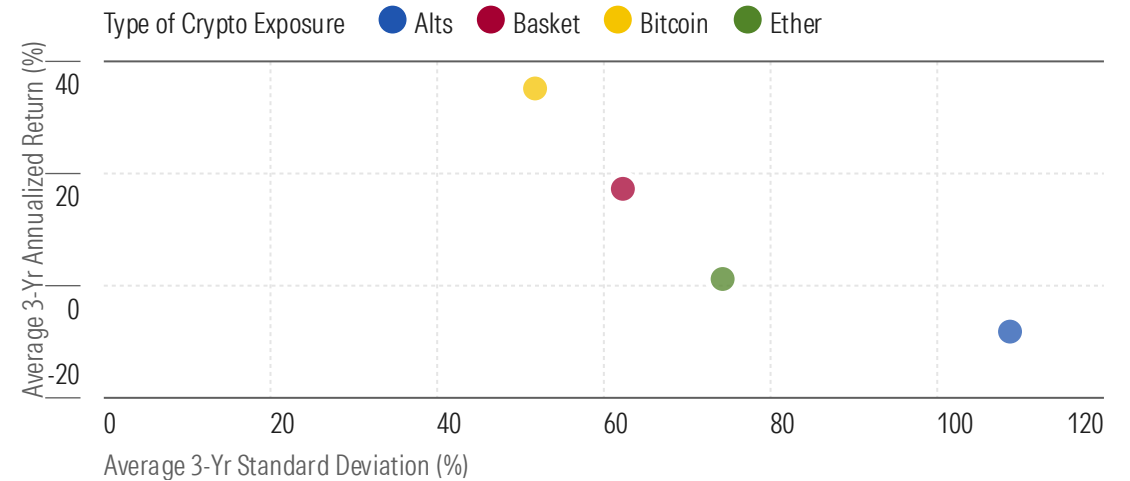
## Risk and Return

- The top graph examines crypto ETPs' risk and return characteristics by cryptoasset exposure type, using three-year trailing data through February 2026.
- All four product types have exhibited high standard deviation. Bitcoin and Basket products typically delivered strong returns, while Ether and Alts products failed to compensate investors for their high risk.
- Bitcoin products have the highest return per unit of risk. Conversely, the alternative cryptocurrency group, on average, was the most volatile over the past three years, with the lowest risk-adjusted and absolute returns.
- Within the bitcoin and ether groups, there are differences in product strategy. For instance, some ether ETPs stake the underlying cryptocurrency to generate additional revenue. [See Slide 22.](#)
- Among the basket and alternative categories, these products can hold a wide range of cryptocurrencies, resulting in varying performance outcomes.

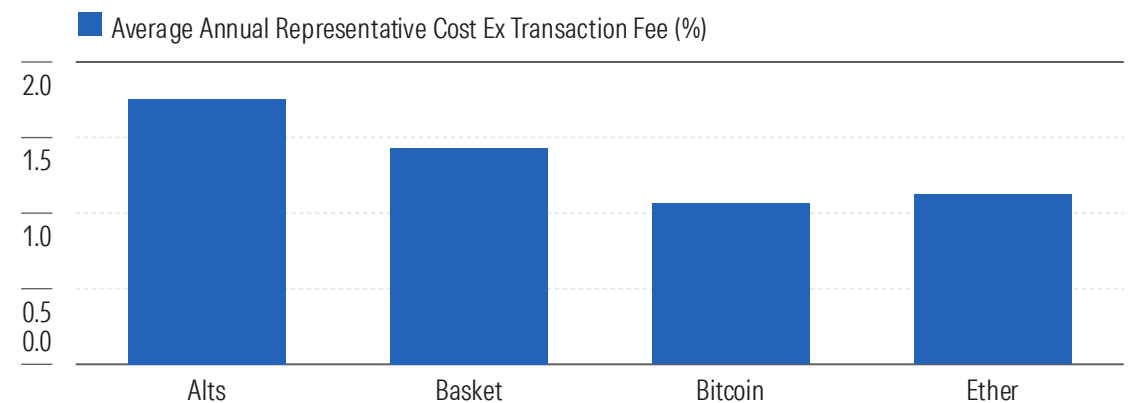
## Fees

- The average annual fee for digital-asset ETPs is 1.63%. This figure is elevated by the inclusion of a large number of complex alternative cryptocurrency ETPs, which typically carry higher fees than bitcoin-focused products.
- Conversely, bitcoin ETPs have the lowest fees, followed by ether, as both have become relatively vanilla commodified exposures offered by multiple providers.
- An advantage of crypto ETPs is their transparent fees; direct crypto purchasing and ownership often involve varying transaction costs and less visible fees.

## Crypto ETP Groups' Risk and Return Statistics



## Crypto ETP Groups' Annual Fees



# Crypto's Role in a Portfolio

## Crypto in a Portfolio

- Cryptocurrencies have exhibited extreme volatility and significant drawdown risk. While longer-term returns—particularly for leading cryptoassets such as bitcoin and ether—have historically been high enough to compensate for this risk, it remains uncertain whether this pattern will persist.
- Moreover, unlike traditional asset classes such as equities or bonds, which can be valued by discounting future cash flows, estimating the fair value of cryptocurrencies is inherently more complex.
- Allocations above 5% [within a traditional 60/40 portfolio](#) introduce a high degree of uncertainty, as they can disproportionately increase volatility and materially alter the portfolio's risk profile. Even for investors with a constructive view, allocations should therefore remain below this threshold.
- In terms of holding period, Morningstar's [Role in Portfolio](#) framework suggests a minimum investment horizon of 10 years. This guidance is based on an analysis of historical loss frequencies across rolling periods from one to 10 years, alongside typical recovery times following drawdowns.

# Conclusion

## Key Considerations for Crypto ETPs

- There are several ways investors can gain exposure to cryptocurrencies, including via exchange-traded products. UK retail investors have been able to access crypto exchange-traded notes since Oct. 8, 2025.
- The cETNs that meet Financial Conduct Authority requirements offer ease of access alongside a degree of regulatory oversight compared with direct ownership of cryptoassets.
- One of the key advantages of holding cETNs within tax-advantaged wrappers, such as ISAs or self-invested personal pensions, is that any capital gains or income are sheltered from tax and do not require reporting. The cETNs held outside these wrappers are subject to capital gains tax, while direct crypto holdings are also subject to capital gains tax and, in some cases, income tax, and may require self-reporting.
- From Oct. 8, 2025, UK investors were permitted to hold cETNs within stocks and shares ISAs and SIPPs. However, from April 6, 2026, cETNs will no longer be eligible for inclusion in stocks and shares ISAs and will instead qualify for innovative finance ISAs. They will continue to be eligible for inclusion within SIPPs.
- While thousands of cryptocurrencies exist, bitcoin is the oldest and remains the most prominent, accounting for 58% of total market capitalization as of Feb. 28, 2026.
- This dominance is also evident in Europe's crypto ETP market, where single-bitcoin exposures represent just over 60% of total assets under management—despite the majority of listed products focusing on alternative cryptocurrencies.
- The most established cryptocurrencies, bitcoin and ether, have delivered strong long-term historical returns, but these have been accompanied by extreme volatility, resulting in a more pronounced risk/return profile than other high-risk assets such as equities.
- As a result, cryptocurrency allocations should remain a small component of a diversified portfolio. A weighting of 5% or less is advisable, reflecting concerns around volatility, uncertain long-term return expectations, and the inherent challenges in valuation.

# Appendix—Crypto ETPs Cheat Sheet

# Cryptocurrencies and Crypto ETPs Primer

## Bitcoin's Origin

- Bitcoin, created in 2009, is the oldest and most prominent cryptocurrency.
- It was created as a decentralized alternative to conventional currencies, which rely on an intermediary to record and validate transactions.
- Instead, bitcoin, a completely virtual asset, uses a blockchain to register transactions cryptographically, linking strings of “blocks” together in a way that cannot be altered after being recorded

## Bitcoin and Beyond

- While numerous other cryptocurrencies have been created, bitcoin remains the primary cryptoasset today, accounting for [58% of the total market cap of cryptocurrencies](#) as of Feb. 28, 2026.
- Ether, the second-largest cryptocurrency, is tied to the ethereum blockchain. This blockchain enables “smart contracts” that automatically transfer digital assets once certain preset conditions are fulfilled.
- Stablecoins, a major segment of cryptocurrencies, are tokens linked to a hard currency such as the US dollar or euro.
- Many other types of cryptocurrencies exist under the umbrella term of “altcoins.”
- Thousands of active cryptoassets exist, and as of Feb. 28, 2026, the total crypto market was valued at USD 2.27 trillion, based on data from [CoinMarketCap](#).

- Initially a fringe asset, cryptocurrency, and bitcoin in particular, has become increasingly mainstream, with conventional asset managers, from the likes of BlackRock and Fidelity, offering bitcoin exchange-traded products.

## Crypto via ETPs

- In Europe, **ETPs** offer access to cryptocurrencies. These ETPs can follow either an exchange-traded commodity or exchange-traded note structure.
- **ETNs** are debt instruments that trade on exchanges and track the performance of an underlying asset. Unlike funds, ETNs don't hold underlying securities. Additionally, they may lack collateral, exposing investors to the credit risk of the issuing bank.
- **ETCs** are similar to ETNs, although they must be backed by collateral, either with the underlying assets or overcollateralized in cash or equity, thereby minimizing credit risk.

## Comparing Types of Crypto Ownership

Investors can gain exposure to cryptocurrency either by owning the asset directly or by having another entity hold it on their behalf.

### Direct Ownership

- Investors who want to directly own cryptocurrency can use hardware or software wallets, which store the private keys required to access, manage, and transact their crypto holdings on the blockchain. These private keys, which function like passwords, are essential for sending and receiving cryptoassets.
- Wallets can be classified as either hot (connected to the internet) or cold (offline). Hot wallets offer convenience but are more vulnerable to hacking, while cold wallets provide greater security at the expense of accessibility.

### Examples of Indirect Ownership

- Investors can purchase cryptoassets through centralized exchanges such as Binance or Coinbase, or via brokerage platforms like PayPal or Revolut. In these cases, the exchange or platform holds the private keys, while the investor retains only a claim to the crypto. This arrangement exposes investors to counterparty risk: If the exchange or platform is hacked, frozen, or becomes insolvent, investors may lose access to their assets. The collapse of FTX, once among the world's largest crypto exchanges, is a stark example of this risk.

### Transitioning to Direct Ownership

- Centralized exchanges typically allow withdrawals to external wallets, whereas many brokerage platforms (such as PayPal, for example) may restrict withdrawals, meaning users only have price exposure.
- Where transfers are permitted, investors can move cryptoassets to a self-custody wallet, usually for a small fee, but errors such as sending to the wrong address or choosing the wrong blockchain/network can result in lost or inaccessible funds.

## Staking ETPs

- The FCA allows retail access to ETNs that stake the underlying cryptocurrency; in practice, this means only ETNs staking ether are available for UK retail investors, as bitcoin cannot be staked.
- Staking is the process of “locking up” cryptocurrency by depositing it into a blockchain network, where it is used to validate transactions and maintain network security. In return, participants typically earn additional crypto as rewards.
- Similar to how securities lending in equity ETFs can provide an additional source of return, staking offers investors extra yield, but it also introduces its own risks.
- Many centralized exchanges and brokerage platforms offer staking on behalf of investors for a range of cryptocurrencies; however, currently, UK retail investors can only access ETNs that stake ether.
- FCA-approved ETNs require underlying cryptocurrencies to remain in cold storage during staking, enhancing security. In contrast, centralized exchanges or platforms are not obliged to do so, and safeguarding practices vary.

## Comparing Types of Crypto Ownership—UK Perspective

Investors can gain exposure to cryptocurrency either by owning the asset directly or by having another entity hold it on their behalf. Owning a crypto ETN that fulfills FCA requirements offers investors price exposure to the underlying cryptocurrency, with certain benefits and drawbacks, compared with other types of ownership, such as directly holding crypto. Below are the pros and cons of investing in a crypto ETN versus buying and owning the asset directly.

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### Benefits

Easy to buy	Similar to a stock in a brokerage account.
Minimized counterparty risk	Custodians are highly regulated.
Convenient	These products avoid the risk and responsibility of direct ownership.
Potential for tax efficiency	If crypto ETNs are held in ISA or SIPP accounts, these holdings would be exempt from capital gains and income tax with no reporting required.
Transparent fees & costs	Centralized exchanges can have hidden costs in the form of high spreads and high fees for converting between cash and cryptocurrencies. Conversely, crypto ETNs' fees are typically more transparent, and professional market makers help maintain tight spreads.

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### Drawbacks

No direct access	While holding shares of an ETN, investors cannot withdraw the actual cryptocurrency; some investors use crypto as a store of value disconnected from the traditional monetary system and would prefer to directly hold the asset, similar to certain investors in gold.
Annual fee	Most ETNs have ongoing management fees, which compound over longer time periods eroding potential returns.

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