21shares

A guide to Crypto Exchange Traded Notes (ETNs)

BITCOIN AND ETHEREUM ETNS IN THE UK

TL;DR

Crypto Exchange Traded Notes (ETNs)

What is happening?

UK investors have finally gained access to crypto assets through regulated products. The Financial Conduct Authority (FCA) will now allow retail investors to buy crypto exchange-traded notes (ETNs).

What is a crypto ETN?

A crypto ETN is a regulated investment product that tracks the performance of a crypto asset, such as Bitcoin and Ethereum.

How do I buy a crypto ETN?

They can be bought through an existing investment platform or broker, such as Hargreaves Lansdown, AJ Bell, and Interactive Investor. This has enabled investing in crypto assets to be a similar process to buying stocks and index funds.

Are 21shares ETNs physically-backed?

Yes, our products are always 100% physically-backed. When you buy our ETNs we directly purchase the underlying Bitcoin or Ethereum and store it in a segregated, cold-storage wallet with an institutional custodian (such as Coinbase Custody or Zodia). This means the value of your crypto assets is protected against issuer insolvency.

Will crypto ETNs be eligible for ISAs or SIPPs?

Yes! This is what makes investing in crypto via ETNs so attractive in the UK relative to buying on a crypto exchange or directly 'on chain'. If you buy 21shares' Bitcoin and Ethereum products in your ISA or SIPP they will not be subject to capital gains tax.

What are 'complex financial instruments'

Your investment platform may class crypto ETNs as 'complex financial instruments' because of their potential for higher volatility relative to other assets, such as equities. This means that when you buy the product on your investment platform you will be required to first take a short 'Appropriateness Assessment'.

Are crypto ETNs new to the UK?

No, 21shares' Bitcoin and Ethereum ETNs have actually been listed on the London Stock since May 2024, but only professional investors were allowed to buy them. Ever since, the 21shares ETNs have been the preferred and dominant crypto ETNs in the UK with a 70% market share[1].

21shares Bitcoin Core ETN

Ticker: CBTC LN **ISIN:** CH1199067674 **Fee:** 0.10%[2]

Bitcoin is a ground-breaking innovation that changed the world forever. It was the first decentralized digital currency and has become adopted by governments, companies, and investors. Bitcoin shares many of gold's key traits: it's scarce, divisible, portable, and independent of governments or authorities. These qualities have earned it the label "digital gold."

However, Bitcoin also differs sharply from gold. It's far more volatile, its market is still developing, and by design it is unregulated. Gold, by contrast, has existed for centuries, has established regulation, and has broader trust as a store of value.

21shares Ethereum Core Staking ETN

Ticker: ETHC LN **ISIN:** CH1209763130 **Fee:** 0.10%[2]

Ethereum, the second-largest crypto asset after Bitcoin, is a blockchain that enables developers to build 'smart contracts' and 'decentralized applications'. This brings real-world utility to blockchain technology. Ethereum has the largest Web3 ecosystem and has generated over $2.5 billion in revenue in the past year alone. Companies like JPMorgan, PayPal, Visa, Louis Vuitton, Adidas, and Porsche are already using the Ethereum network.

Ether (ETH), the token of Ethereum, is used to pay for every transaction on the network. As network usage grows, driven by consumer and business adoption, so does demand for ETH.

1. Blooomberg.
2. From 1 October 2025 until 30 September 2026, 0.21% afterwards.
3. See page 5.

INTRODUCTION

This guide will cover:

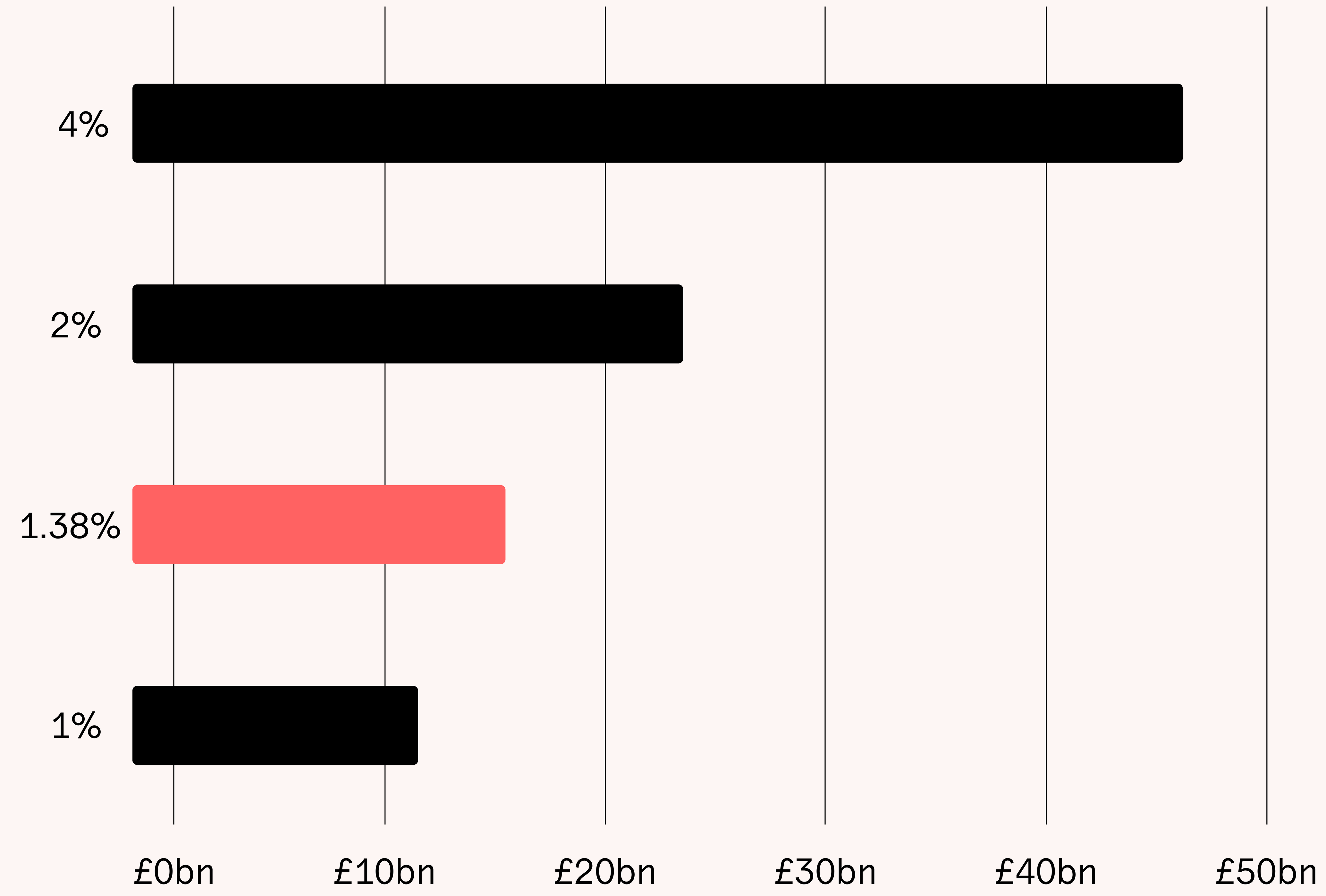
Crypto-curious investors in the UK are now able to buy cryptocurrencies through a regulated product. This guide explains what you need to know.

On 8 October 2025, the Financial Conduct Authority's (FCA) lifted its ban on crypto exchange-traded notes (ETNs), enabling retail investors in the UK access to Bitcoin and Ethereum through their existing investment platforms or brokers, such as Hargreaves Lansdown, AJ Bell, and Interactive Investor (availability subject to each platform's policies).

The UK is lifting the retail ban on crypto ETNs at a moment when appetite for crypto exposure is growing and the infrastructure to support it is already in place. Recent data suggests nearly 24% of Britons reported owning crypto in 2025, up from 18% in 2024[1].

While the level of pent up demand for crypto ETNs in the UK is hard to quantify, the US may give some clues since they made a similar move in 2024, and now have more than £130bn invested in US spot Bitcoin and Ethereum ETFs. US retail investors represent roughly half of this £130bn, which equates to 1.38% of the US ETF market. If the UK saw similar levels of crypto allocations it would lead to over £16bn flowing into crypto ETNs. The chart below shows the potential demand for crypto ETNs under different allocation scenarios.

DEMAND FOR CRYPTO ETNS UNDER DIFFERENT ALLOCATION SCENARIOS



Source: 21shares, Bloomberg. Data as of September 5, 2025.

Beyond ETNs, crypto is also becoming an engine of economic growth for the UK[2]. The domestic crypto market generated £248 million in revenue in 2024 and is forecast to nearly double by 2030. Furthermore, the UK Treasury has now set out plans to position the UK as a global crypto hub.

With UK regulators and policymakers now embracing crypto, it is no longer a niche industry, but a growing contributor to the economy.

1. Gemini, Introducing the 2025 Global State of Crypto Report
2. Grand View Horizon, UK Cryptocurrency Market Size & Outlook, 2024-2030

1. ETNS

Regulated crypto exposure with ETNs

What is a crypto ETN?
A crypto ETN is a regulated financial product that is listed on a recognised exchange (like the London Stock Exchange), and that tracks the price of digital assets like Bitcoin or Ethereum. They are always required to be 100% physically-backed, with the underlying crypto being held in institutional-grade cold storage with independent custodians.

Why buy crypto as an ETN
Crypto ETNs provide a regulated product through which investors can obtain exposure to digital assets. They are bought and held in the same way as stocks and index funds - through existing brokers and investment platforms. Crypto ETNs therefore address many of the barriers that have historically kept investors from allocating to digital assets:

- No technical knowledge of blockchain technology is required
- No wallets or private keys are required to manage investment (and risk being lost)
- Transparent pricing and reporting standards via regulated exchanges (London Stock Exchange in this instance)
- Potential for crypto investment to grow free of capital gains tax, when bought within an ISA or SIPP
- Assets that are segregated from the issuer and protected in the event of insolvency

How do crypto ETNs compare to other options for buying digital assets
Investors today have several routes into crypto, from trading on centralised exchanges such as Coinbase or Kraken, to experimenting with decentralised exchanges and self-custody wallets. Each option has its trade-offs in terms of ease, security, and regulation.

Centralised and decentralised exchanges continue to play a major role in the crypto market. For some investors, ETNs may offer a more familiar format since they can be bought through existing investment platforms. The table below highlights how these approaches compare.

	Crypto ETN	Centralized Exchanges	Decentralised Exchanges
What is it	A financial product that you buy through a traditional investment platform **Ex :** 21shares Bitcoin core ETN	A private company-operated platform for trading cryptoassets directly **Ex:** Coinbase, Kraken	A peer-to-peer protocol on a blockchain without a central operator **Ex:** Uniswap
Typical use case	**Long term investors:** those who buy and hold as part of a diversified portfolio	**Crypto traders:** active traders looking for direct exposure	**Crypto traders:** experienced users comfortable interacting directly with blockchain technology and self-custody
How to invest	Invest through investment platforms or broker accounts, similar to stocks and index funds	Requires setting up an account with a crypto exchange	Requires technical knowledge of self-custody wallets and blockchain technology
ISA and SIPP eligibility	**Yes:** this is a key benefit for long term investors in the UK	**No:** capital gains tax applies at the marginal rate. Plus 'staking rewards' may also be taxable at the marginal income tax rate	
Fees	Transparent fixed annual management fee, plus standard stock brokerage commissions. Spreads are kept tight by professional market makers	Typically a fixed percentage for trading fees, plus 'hidden fees' in the form of bid/ask spreads or costs for converting cash to crypto, in some instances	Fixed swap fees, but requires paying transaction fees in the form of "gas fees", which can become expensive during busy periods
Investor protections	Assets are 100% physically backed and held by insured institutional-grade custodians that aim to protect investors against issuer insolvency	The investor is exposed to the operational risk of the exchange or bankruptcy. Some exchanges aim to protect investors against issuer insolvency	Investors are 100% responsible for the security of their wallets and private keys. No central counterparty

2. BITCOIN

Is Bitcoin digital gold?

For too long, many savers have been unaware that their wealth has been slowly eroded by inflation, causing their financial goals to drift further away. Bitcoin is a digital asset that exhibits characteristics relevant to wealth preservation, and it is now widely accessible for everyone.

Unveiled in 2008 by Satoshi Nakamoto, Bitcoin was a ground-breaking innovation that introduced the world to blockchain technology. It was the first decentralized digital currency and has become widely recognized as a legitimate asset by governments, companies, and investors. Bitcoin shares many of gold's key traits: it's scarce, divisible, portable, and independent of governments or authorities. These qualities have earned it the label "digital gold."

However, Bitcoin also differs sharply from gold. It's far more volatile, its market is still developing, and by design it is unregulated. Gold, by contrast, has existed for centuries, has established regulation, and has broader trust as a store of value.

KEY FEATURES OF BITCOIN

Inflation hedge due to finite supply

Bitcoin is hard-coded with a finite supply of 21 million coins, of which 19.8 million have already been mined - the remaining supply is approximately 1.3 million Bitcoins (6%). This scarcity helps ensure Bitcoin should be an effective long-term inflation and currency devaluation hedge. While gold's supply is scarce, it is not finite, with future supply varying depending on mining activity and new discoveries.

Accelerating and broadening adoption

There has been a growing number of reports of Bitcoin being adopted by corporations, financial institutions, and governments. With corporations now holding more than 4% of Bitcoin's total supply[1], and countries like the U.S. beginning to explore it for national reserves, demand for Bitcoin in 2025 has grown to be five times more than the new Bitcoin that has been mined[2]. This is due, in part, to the rise of crypto ETPs (ETFs and ETNs) which is accelerating Bitcoin's adoption by making it more accessible to both retail and institutional investors.

Decentralized and efficient network

Like gold, Bitcoin is not controlled by a single government or central authority. Its price cannot be manipulated for domestic or geopolitical gain, helping ensure that it maintains its value if fiat currencies devalue as governments or central banks grapple with their unsustainable levels of debt. However, Bitcoin is easier to store and is more portable, making it more efficient to send across borders.

Investing in Bitcoin is not without risk

The main risk is price volatility due to Bitcoin being a relatively young asset class, which can lead to rapid loss of capital. A further risk is regulatory uncertainty, as changing government policies could impact Bitcoin's value. Finally, Bitcoin may face competition from newer technologies which could limit its utility as a global store of value.

21M The total supply of Bitcoin
No more can ever be created

3.7M Bitcoin that have been lost forever
Forgotten keys, lost wallets

16.3 Bitcoin in circulation today
Only 1 million Bitcoin left to be mined

0.28 Bitcoin is the amount each millionaire in the world could own
If all 60M of them shared the 16.3M + 1M supply equally

1. CoinGecko, "Bitcoin Holdings by Public Companies" (accessed June 2025)
2. bitcointreasuries.net, The Block (Spot Bitcoin ETF AUM), The Block (Bitcoin Supply)

3. ETHEREUM

The base layer for a digital economy

Like Bitcoin, Ethereum is built on blockchain technology, but its purpose is different. While Bitcoin pioneered peer-to-peer payments and has been described as a store of value, Ethereum introduced the world to 'smart contracts' which are self-executing code that enables agreements, transactions, and entire applications to run without intermediaries.

This development turned Ethereum into the foundation for a new digital economy. Developers have used Ethereum to build everything from decentralized finance protocols, stablecoins, NFTs, gaming, and tokenized real-world assets. These applications inherit the benefits of blockchain technology (transparency, neutrality, security, and decentralization), while opening the door to entirely new business models.

At the centre of it all is Ether (ETH), the network's native token. ETH is required to pay for every transaction across each and every application on Ethereum, meaning that as adoption of the ecosystem grows, demand for ETH also grows

KEY FEATURES OF ETHEREUM

A blockchain with utility

A common criticism of blockchain technology is that it has no utility. This is simply wrong. Ethereum has over nine million users each month who interact with the over 4,000 applications built on the network, by the 5,000 active developers who are building each month. This has turned Ethereum into a system that has generated $4.5 billion in revenue since 2022.

Engine of the Web3 economy

Ethereum remains one of the leading smart contract networks, securing the largest share of assets and activity in Web3. Smart contracts enable anyone to build and run decentralized applications without intermediaries. These applications power a wide range of use cases, from decentralized finance and stablecoins to tokenized assets and on-chain games.

Institutional innovation

Institutions have now started to move on-chain, experimenting with stablecoins for settlement, trialling tokenized funds ($30bn has already moved on-chain), and considering ETH itself as a strategic reserve asset. This sees Ethereum's story move beyond developers and crypto-native users, and opens the door to the next wave of adoption, led by traditional finance and institutions. Names like BlackRock, Franklin Templeton, and JPMorgan are leading these deployments, and ensuring Ethereum evolves into the execution layer of a decentralized digital economy.

Investing in Ethereum is not without risk

Ethereum is a sophisticated blockchain technology and as such is subject to certain inherent risks. These include, cyber-attacks, operational risks, financial crime, and market liquidity. Despite still being the most well-known smart contract blockchain, Ethereum now faces strong competition, most notably Solana which offers superior speed and lower fees.

Ethereum use-case	Example project built on Ethereum
Tokenisation is the process of representing a real-world asset (like real estate) or a digital asset as a token on a blockchain	**BlackRock's BUIDL** is a tokenized asset fund built on Ethereum that represents an investment in U.S. Treasury bills and repurchase agreements
GameFi is the intersection of gaming and decentralized finance, where players can earn cryptocurrencies and NFTs through gameplay	**Axie Infinity** is a popular play-to-earn game built on Ethereum where players can collect, breed, and battle creatures as NFTs
SocialFi is a combination of social media and decentralized finance, where social media content, platforms, and communities are built on a blockchain	**Lens Protocol** is a decentralized social graph on Ethereum that allows developers to build social media applications where users own their data and connections
AI models that use decentralised computing power and huge real-time datasets that have been 'lent out' by individuals and companies	**Render** is a decentralized GPU rendering platform. It connects users who have idle GPU power with artists and creators who need that power for rendering motion graphics and visual effects

4. PORTFOLIO

Investors typically look to allocate to crypto in their portfolio for two reasons: diversification and growth potential.

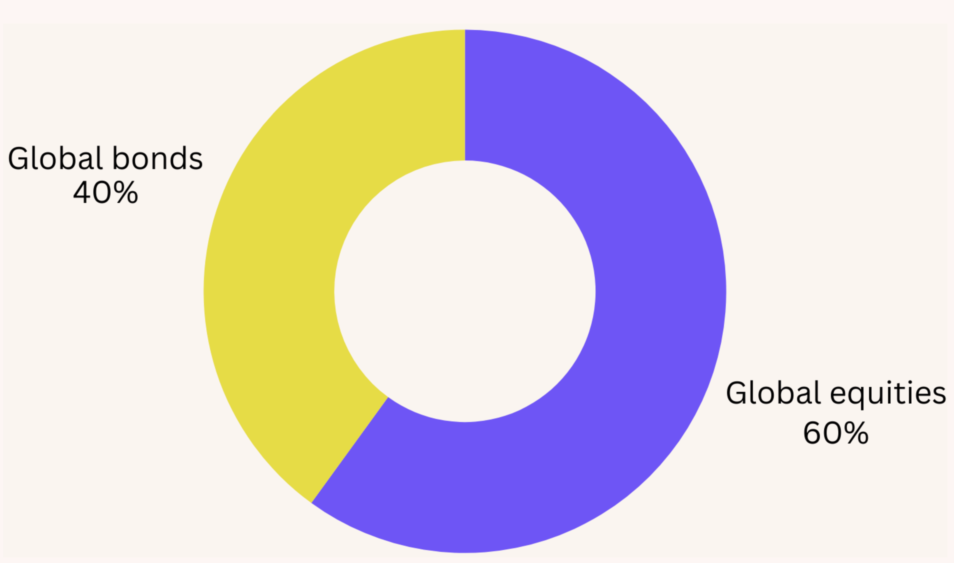
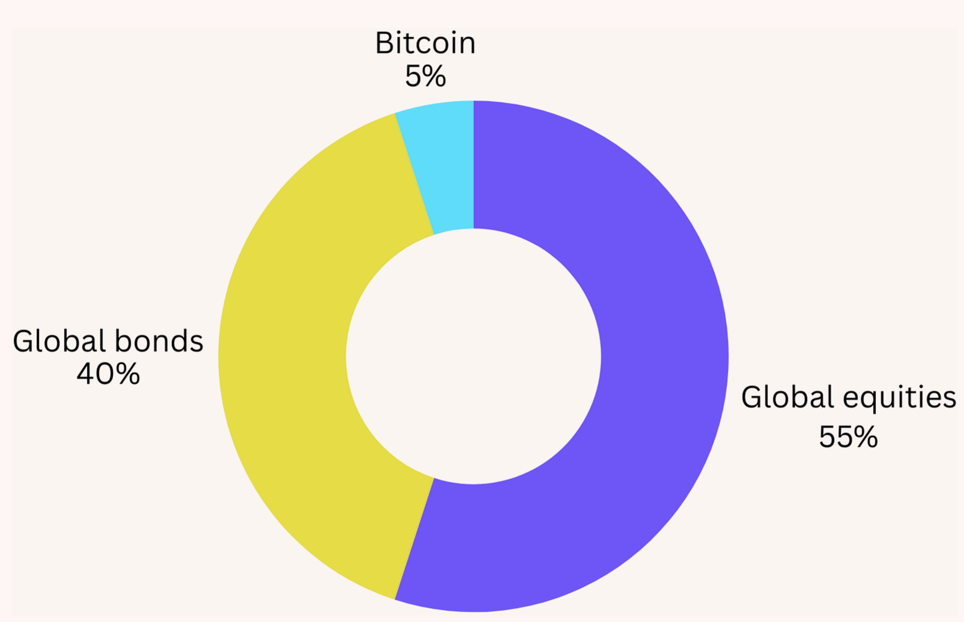
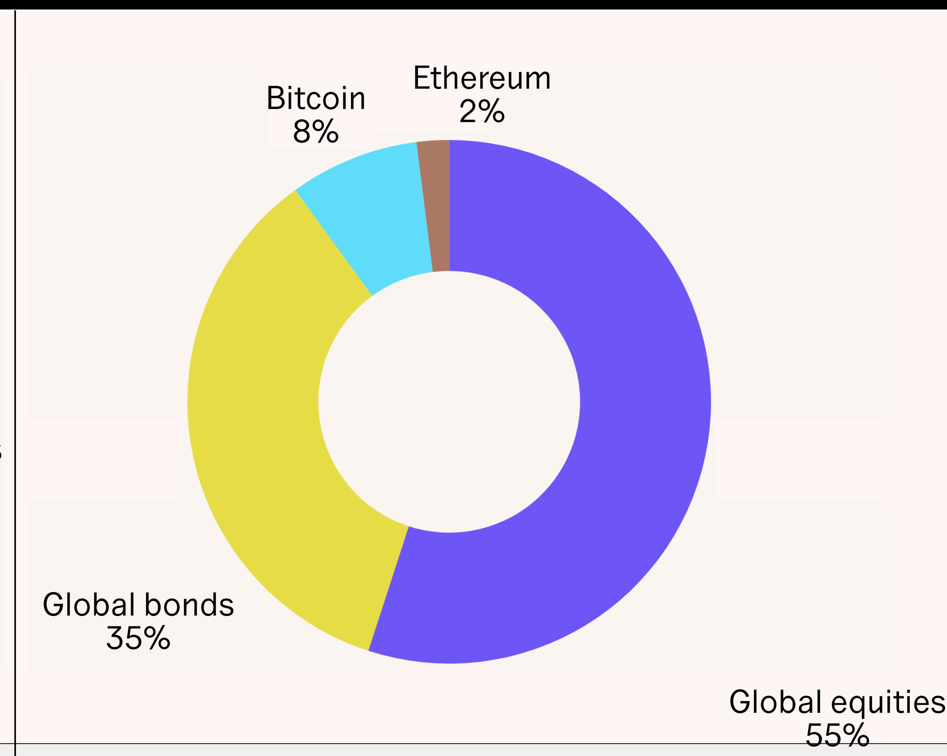
Bitcoin has, at times, shown the ability to act like a growth asset in expansionary periods, while then pivoting toward defensive or uncorrelated behaviour during periods of market stress. Ethereum meanwhile, has been observed to reflect thematic drivers of its own, and so maybe less tied to equity cycles.

Understanding how assets move relative to one another is central to portfolio construction. Our analysis indicates that Bitcoin and Ethereum have only a moderate correlation to global equities (22% and 37% respectively) over the past three years, meaning that it may introduce a diversification benefit within a traditional portfolio. This suggests that crypto can bring diversified risk, not necessarily more or less risk. When sized appropriately and depending on period and methodology, diversification effects may be observed.

CRYPTO IN A TRADITIONAL PORTFOLIO

In the table below we compare a traditional 60/40 portfolio with a more modern portfolio with a crypto allocation. This serves as an illustration based on historical data from the last three years.

Interestingly, the time it took each portfolio to recover from its largest fall over the past three years, which happened in response to the US tariffs in April 2025, was less for the two portfolios with crypto (both 17 days) than the traditional portfolio (22 days).

	Traditional portfolio	Portfolio with 5% Bitcoin	Portfolio with 10% crypto
Three-year performance (September 2022-2025)			
Average annual return	12%	16%	19%
Average annual volatility	8%	9%	10%
Largest peak-to-trough fall	-10%	-10%	-13%

Source: 21shares, Bloomberg, Yahoo Finance. September 2022 – September 2025. Assets used for the portfolio: global equities - iShares MSCI ACWI ETF (ACWI), global fixed income - Vanguard Total World Bond ETF (BNDW), Bitcoin - 21shares Bitcoin Core ETP (CBTC), Ethereum - 21shares Ethereum Core Staking ETP (ETHC).

Assumptions: annual rebalancing; brokerage commissions, taxes, slippage and additional fees excluded (returns for all three portfolios would be lower if included). Past performance is not a reliable indicator of future results.

Note: according to COBS 4 Annex 1R, (matter 12), retail users should not invest more than 10% of their net assets into restricted mass market investments.

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