Technology

Hong Kong's First Approved Crypto Fund Is Targeting $100 Million

- Arrano is the first to clear licensing hurdles with the SFC
- Passive fund targets institutions investing in digital money

Photographer: Andrey Rudakov/Bloomberg

By Zheping Huang
April 19, 2020 at 6:00 PM EDT

Save Translate 2:04

This article is for **subscribers only**.

Venture Smart Asia Ltd. has launched Hong Kong's first approved cryptocurrency fund with a target first-year size of $100 million, offering an officially sanctioned window for institutional investors in Bitcoin.

Arrano Capital, the Hong Kong asset manager's blockchain arm, announced Monday the rollout of its Bitcoin fund, after clearing licensing conditions to let it deal in virtual assets with the Securities and Futures Commission this month. It's the first such fund approval since local regulators started to look into ways to exert oversight over the crypto industry about a year ago. The SFC has previously granted licenses to crypto asset managers like Hong Kong's Diginex, but those haven't met the full criteria to run pure crypto funds that can be marketed to professional investors only.

Read More: Hong Kong Reveals Crypto Rules in Push to Tame Wild Market

While institutions and family offices around the globe have found ways to invest in digital tokens like Bitcoin and Ether, an investment vehicle with a regulatory thumbs-up will likely gain traction. Despite no specific launch target, Arrano Capital seeks to surpass $100 million in total assets under management through a fund tracking Bitcoin prices within the first year, Arrano Chief Investment Officer Avaneesh Acquilla said. Its second product -- scheduled for launch later this year -- will be an actively managed fund dealing with a basket of digital tokens, he said.

"We decided to launch this fund to address market demand from professional investors who are increasingly focused on Bitcoin as an alternative store of value," said Acquilla. "Ultimately for Bitcoin to be widely accepted and for people to trust it, there needs to be regulation."

Bitcoin was traded at $7,064 as of Friday afternoon in Hong Kong, down 1.3% so far this year, according to a composite of prices compiled by Bloomberg.

Acquilla runs a team at Arrano Capital that includes his ex-colleagues from Kenetic Capital, a Hong Kong blockchain investment firm. Former Jefferies Asia chief Michael Alexander serves as an outside advisor to the fund, according to its website.