

First Bitcoin-linked ETF hits the market—but it might not be enough

Article

The news: The first US Bitcoin futures exchange-traded fund (ETF) launched yesterday.

Here's how it works:

- PrShare [filed](#) its application for ProShares Bitcoin Strategy ETF (BITO) with the Securities Exchange Commission (SEC) in 2017.

- The ETF exposes investors to Bitcoin future contracts, which are agreements to buy or sell the asset later for an agreed upon price. BITO comprises Bitcoin futures that already trade on the **Chicago Mercantile Exchange**.
- By investing in BITO, users can gain indirect exposure to Bitcoin without actually owning the underlying assets.

The bigger picture: This is the first Bitcoin-linked ETF in the United States, but it most definitely won't be the last.

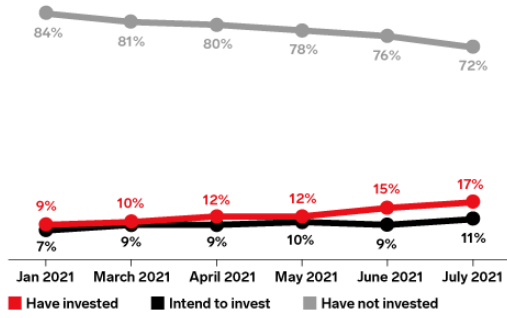
- The SEC is reviewing **more than a dozen crypto ETF applications**, including one from **Goldman Sachs**.
- Robo-advisors and wealth managers are also increasingly interested in adding crypto investment options for their retail clients: **Wealthfront** added two crypto trusts to its investment options.
- Crypto ETFs would let them offer less risky investment options than buying specific cryptos—potentially giving ETF providers a large addressable market.

Bottom line: While doubtless a big milestone for the crypto industry, a futures ETF in the US might not be sufficient for many retail investors.

- Retail investors may be concerned about the accuracy of futures, which reportedly don't always track the spot price of cryptos accurately, per CNBC. Many are therefore waiting for an ETF backed by Bitcoin itself.
- But that likely wouldn't launch in the coming months—the future-based ETF was likely only approved because the laws governing futures provide stronger investor protections, per SEC Chair Gary Gensler.
- Companies seem to have taken note of this gap: Invesco, for example, pulled its application to issue a Bitcoin futures ETF and is now focusing on a directly backed digital ETF.

Level of Experience with Cryptocurrency According to US Adults, Jan-July 2021

% of responses



Note: n=35,098; week of Jan 1, 2021-week of July 13, 2021
Source: CivicScience as cited in company blog, July 13, 2021

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