

# Bitcoin ETFs: What are they and how to invest in them?

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As the price of Bitcoin soared since first being introduced, investors have sought ways to get a piece of the cryptocurrency action. Financial firms have rushed to come up with products that feed investors' crypto

appetite, and last fall saw the arrival of a long-awaited Bitcoin futures exchange-traded fund (ETF).

The new Bitcoin-linked fund, ProShares Bitcoin Strategy ETF (BITO), gives traders a way to speculate on Bitcoin without having to buy cryptocurrency directly or set up an account with a crypto exchange. Investors can simply buy and sell the fund like they would any other stock trading on an exchange, making it simple to get started.

But experts say the road to more crypto ETFs looks bumpy, even though many fund companies would love to get a cut of the healthy fees that can be charged for running an ETF based on the trendy asset.

Here's what else you should know about Bitcoin ETFs.

## **Why are Bitcoin ETFs becoming increasingly popular?**

Many people have been drawn to Bitcoin by its rapid rise in price since first being introduced in 2009. While it's down more than 40 percent since its November 2021 all-time high, Bitcoin is still up substantially since its debut. Naturally, the increase in price has many people wondering how they can get in on the action.

One aspect of buying and selling Bitcoin that may have held some people back is the limited number of brokers that offer it and trading directly through a crypto exchange can be complicated due to a variety of fees and new trading platforms. But with the introduction of ETFs tied to Bitcoin, the process of investing could become much simpler.

"By opening up the doors to mainstream investors through Bitcoin ETFs, numerous investors can participate in indirectly investing into Bitcoin

but without actually holding the digital asset itself, which can help alleviate the fears that many newcomers have," says Peter Jensen, CEO of blockchain payments company RocketFuel Blockchain.

## **Who should invest in Bitcoin ETFs?**

Investing in a Bitcoin ETF could be a good option for people who are looking for a more traditional way of investing in the digital currency. Investing directly in Bitcoin can be complicated and involves questions of how the asset will be stored and which exchange to purchase on. ETFs remove some of that complexity by packaging crypto futures contracts into ETF form.

The ETF structure could also make it easier for some institutional investors to enter the crypto market, which could help keep demand for Bitcoin high.

"Bitcoin ETFs allow mainstream [institutional investors](#) to access Bitcoin without having to worry about Bitcoin storage in hot wallets, which are more susceptible to hacks, as well as regulatory and fiscal implications their funds would face if they simply bought it on a decentralized cryptocurrency exchange," says Kay Khemani, managing director at Spectre.ai, a broker-less trading platform.

## **Where do you purchase Bitcoin ETFs?**

Bitcoin ETFs are going to be available through most online brokers who offer traditional securities like stocks and bonds. Some of these brokers may also offer the opportunity to invest in Bitcoin directly, while others only allow you to trade Bitcoin futures.

ETFs trade on traditional exchanges such as the New York Stock

Exchange or the Nasdaq. If you're interested in the widest offering of cryptocurrencies and are looking to directly invest in digital coins, you'll need an account with a crypto exchange such as Binance or Kraken.

## **Are Bitcoin ETFs regulated?**

The creation of any ETFs tied to Bitcoin has proved to be a difficult task. Last fall's launch of the ProShares Bitcoin Strategy ETF marked the first ETF tied to Bitcoin, but the fund itself uses futures contracts instead of investing in Bitcoin directly. The Securities and Exchange Commission has yet to approve ETFs that invest directly in Bitcoin due to a number of factors.

"Regulatory concerns surrounding ETFs include their management fee structures, questions around Bitcoin's true intrinsic value and of course, the fact that the underlying asset in question still has an uncertain regulatory future," says Khemani.

Chris Kline, COO and co-founder of cryptocurrency platform Bitcoin IRA, points to still other reasons.

"According to past rulings, regulators are concerned, namely, over digital assets' ability to be manipulated, issues over volatility and the absence of surveillance," says Kline.

For now, the number of crypto ETFs available remains small in the U.S., but other jurisdictions, including Canada and Europe, have approved more funds.

"Crypto ETFs are inevitable," says Kline. "A product like this will eventually come to fruition since there is a demand for it, but a timetable remains uncertain."

In March, President Joe Biden signed an executive order that tasked federal agencies with studying the impact of cryptocurrencies on consumers, businesses and investors. The review will also examine the possible creation of a U.S. "digital dollar." It is likely the order will lead to new laws and regulations that have largely been nonexistent for the crypto industry thus far.

## **Other types of crypto-related investments**

If you're not satisfied with the limited current offering of crypto-related ETFs, you have some other options for investing in the digital currency world.

### **Invest in crypto directly**

You can always choose to invest directly in cryptocurrencies through a broker or crypto exchange. Some brokers offer a limited number of options for investing in crypto, typically offering only the major coins. If you're looking for a broad offering, you'll need to go through a crypto exchange, but be careful to watch out for costly fees associated with buying and selling.

### **Blockchain ETFs**

Another way to make crypto-adjacent investments is to invest in ETFs focused on blockchain, which is the technology behind cryptocurrencies like Bitcoin and Ethereum. Blockchain ETFs hold stocks of companies that are using blockchain technology as part of their current and future business plans. Holdings will likely include a combination of crypto companies, tech giants and [financial institutions](#).

### **Stock in crypto companies**

There is also the option of investing in stocks of companies that are directly involved in cryptocurrency. Coinbase, a large crypto exchange, went public in 2021 and other companies such as PayPal and Robinhood have also made a push into cryptocurrencies. Be sure to thoroughly research each company and understand how much of their business is tied to crypto before investing.

## **Grayscale Bitcoin Trust**

The Grayscale Bitcoin Trust (GBTC) started in 2013 as a private investment with a six-month lockup that prevented investors from reselling it into the public market for that period. But some investors have since sold their shares into the market, so now anyone can buy shares in the fund. The fund charges a fee of 2 percent of assets under management annually.

The company behind the fund announced in October that it's looking to convert to a Bitcoin spot ETF. The fund would give investors a way to track the price of Bitcoin in a familiar ETF structure.

## **Bottom line**

Traders eagerly awaiting a Bitcoin ETF got their wish last fall when the first Bitcoin-linked ETF began trading on the NYSE. But crypto enthusiasts will likely have to wait a bit longer for there to be a flood of these ETFs on the market due to regulatory concerns from the SEC. Still, there are ways to get in on the crypto action through stocks and ETFs that are indirectly tied to crypto or blockchain technology. You can also invest directly through a [crypto](#) exchange.

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