

Bitcoin tops \$60,000 on US fund approval hopes

15 October 2021, by Joseph Sotinel



Bitcoin has had an eventful year, reaching a record high and becoming legal tender in El Salvador.

Bitcoin breached the \$60,000 mark for the first time since April on growing optimism that American regulators will greenlight the first US futures exchange-traded fund for the cryptocurrency.

The digital currency was up more than 40 percent from a month ago, reaching \$62,253 at 2050 GMT, according to Bloomberg News data, which reported that the US Securities and Exchange Commission could allow the ETF to trade next week.

The SEC has rejected attempts to create a Bitcoin ETF since 2013.

"An SEC Bitcoin ETF approval is a watershed moment for the crypto industry as this could be the key driver for getting the next wave of crypto investors," said Edward Moya, senior market analyst at OANDA.

An ETF is a financial instrument that can include different assets and be traded on an exchange like other securities. A futures ETF means the product will be bought or sold at set price at a later date.

The SEC fuelled speculation of the imminent approval after writing the following advice on one of its accounts on Twitter: "Before investing in a fund that holds Bitcoin futures contracts, make sure you carefully weigh the potential risks and benefits."

The ETF would add to an eventful year for the world's leading cryptocurrency, which hit a record high at \$64,870 in April and became a legal tender in El Salvador, the first country to adopt it officially.

China, meanwhile, has cracked down on trading and mining cryptocurrencies, which are created through solving complex equations—an endeavour that consumes enormous amounts of energy.

SEC U-turn

Bloomberg, which cited unidentified people familiar with the matter, reported that unlike past Bitcoin ETF applications that the SEC rejected before, the proposals made by financial firms ProShares and Invesco are based on futures contracts.

The proposals were filed under mutual fund rules that SEC Chairman Gary Gensler has said provide "significant investor protections", the news agency reported.

"This is a key development for the crypto space as it would allow many investors who were on the fence to enter the market in more traditional ways," said Walid Koudmani, analyst at XTB online trading.

An ETF would reassure investors "about previously associated risks such as lack of regulations and the possibility of having their wallet hacked", Koudmani said.

There are ETFs that include Bitcoin in other countries but getting one in the United States would take the cryptocurrency to another level.

"In America's case, it's the largest, most important market. To date, they (traditional investors) haven't had a simple vehicle in which to invest in Bitcoin," Charlie Erith, CEO of ByteTree Asset Management, which specialises in cryptocurrencies, told AFP

Erith cautioned that "the impact on the market might be overblown. You might see a short selloff but it won't be meaningful".

But, he added, "long term, it's an important development. It signals that authorities are getting more comfortable with people owning cryptoassets".

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