

SEC letter shows bitcoin funds won't happen soon, if ever

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It may be a while, if ever, before investors can buy an exchange-traded

fund made up of bitcoin and other digital currencies.

Federal regulators have a long list of questions they want answered before they'll approve a [digital currency](#) fund for Main Street investors. This week the Securities and Exchange Commission sent a letter listing more than 30 of them to trade groups representing the investment industry.

Among the concerns in the letter, which was dated Thursday: How would funds determine the value of their holdings when prices for digital currencies are so volatile? And, what steps would funds take to ensure they can cash out investors who want their money back each day? The SEC also expressed concern that digital currency markets have higher opportunities for fraud and manipulation than traditional securities markets.

Until the industry is able to answer these questions, "we do not believe that it is appropriate for fund sponsors to initiate registration of funds that intend to invest substantially in cryptocurrency and related products, and we have asked sponsors that have registration statements filed for such products to withdraw them," Dalia Blass, the SEC's director of the division of investment management, wrote in the letter.

An exchange-traded fund is similar to a traditional mutual fund, except that investors can buy and sell it throughout the trading day. A [digital currency](#) ETF would allow mom-and-pop investors to own bitcoin and other digital currencies without going onto the private exchanges they trade on.

Bitcoin and other digital currencies have skyrocketed in recent years. As a result, some investors have joined the frenzy and made eye-popping profits, while a growing number of skeptics have called it a bubble that will end in pain. Bitcoin is up more than 10-fold from early 2017, when

it was worth less than \$1,000. But bitcoin has been particularly volatile recently, and is down by nearly half from its peak of more than \$19,000 last month. In early afternoon trading on Friday, it was little changed from a day earlier at \$11,221, according to Coindesk.

Digital currencies were intended to be used to buy things, but lately they've been seen more as an investment. The currencies trade on private exchanges with little regulation or protection for investors, and no country or central bank is behind them.

The [investment](#) industry has been trying to profit from the craze, and two major financial exchanges last month started trading bitcoin futures, which allows investors to make bets on the future price of [bitcoin](#) without actually holding them.

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