First Bitcoin ETFs approved by US regulators

“While we approved the listing and trading of certain spot bitcoin ETP shares today, we did not approve or endorse Bitcoin,” said SEC chairman Gary Gensler, in a statement. “Investors should remain cautious about the myriad risks associated with bitcoin and products whose value is tied to crypto.”

For the last 10 years, the SEC has denied every attempt to create a Bitcoin ETF, which is a bundle of assets that sort of works like a mutual fund. Unlike a mutual fund, though, these vehicles trade on exchanges, where stock market participants can easily buy and sell them. That’s crucial here – it means, basically, you can invest in Bitcoin without the bother of setting up your own wallet.

That might be enough for certain kinds of investors who’ve been sitting on the sidelines to take the plunge into cryptocurrency. Crypto investors have been frothing about this – because in order to back their funds, the companies that issue ETFs will have to buy matching amounts of Bitcoin.

The price of Bitcoin hardly budged on today’s news. In the long run, however, a Bitcoin ETF makes it easier for traditional institutional investors to enter crypto. Pension funds and insurance funds, for instance, might be able to speculate on Bitcoin price for the first time, which would push up demand for Bitcoin.

Right now, the proxy for investing in cryptocurrency has been buying shares of crypto-focused companies such as Coinbase and MicroStrategy, which owns more than $8 billion of Bitcoin as

of January. The entrance of a Bitcoin ETF may make those companies less valuable.

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