

Bitcoin ETF as a New Investment Asset

Everyone is excited about the launch of the first US bitcoin ETF. It began trading on October 19, 2021 on the New York Stock Exchange. This gave an overall boost to the cryptocurrency market as bitcoin rallied to an all-time high price of \$67,276 on the same day.

What are Bitcoin ETFs?

- A bitcoin ETF mimics the price of the digital currency, allowing investors to buy into the ETF without trading bitcoin itself.
- Investing in a bitcoin ETF cuts out any issues of complex procedures required for cryptocurrency investors.
- ProShares, a provider of specialized exchange-traded products, began trading of the Bitcoin Strategy Fund on Oct 19, 2021, marking the first Bitcoin ETF to trade in the U.S.
- ProShares Bitcoin ETF invests in bitcoin futures contracts. This ETF does not invest directly in or hold bitcoin. Futures are derivatives instruments, which trade only on the price movement of the underlying stock.
- ProShares Bitcoin ETF is the second-most heavily traded fund on record in a watershed moment for the crypto industry. This ETF rose about 4.9% to \$41.94. More than 24 million shares changed hands on first day.

What is Bitcoin?

- Bitcoin is one of the first cryptocurrencies to have massive adoption and a relatively large number of use cases.
- It is completely decentralised with no dependency on any central authority. It is "peer to peer": can be transferred directly between users.
- Bitcoin is based on blockchain technology which has been the game changer for the cryptocurrency industry. Blockchains are immutable public ledgers that record all transactions taking place between users.

What is digital currency?

Digital currency is any currency, money, or money-like asset that is primarily managed, stored or exchanged on digital computer systems, especially over the internet. Cryptocurrency is an example of digital currency.

What is ETF?

An ETF is a basket of securities, shares of which are sold on an exchange. They combine features and potential benefits similar to those of stocks, mutual funds, or bonds.

Benefits of Bitcoin ETFs

- Investment demand for cryptocurrency is growing in the world despite regulation hurdles from Governments, Banks and Regulatory bodies. In such uncertain scenarios, ETFs on Bitcoin is a safe way to invest into crypto assets.
- This ETF does not invest directly in or hold bitcoin. Currently, there is no ban on ETF Investments either. So this investment product is suitable for an investor who wants some portfolio exposure to Bitcoin.
- Since the ETFs are traded in the stock market, it will allow buy and sell through their brokerage account. Indian investors can invest via a foreign broker through the liberalised remittance scheme (LRS).

Source:- Moneycontrol, Investopedia, CNBC, Economic Times