

# The New Spot Bitcoin Exchange-Traded Funds ~~Funds~~ Products

## What exactly are these things?

By Ric Edelman

Stop. Do not read this article. Put it down. Swipe to the next story. But do not read this article. I'm not even sure why I'm writing it.

Because I'm a crypto nerd and a finance geek, I guess. Can't imagine that anyone would want to read what I'm about to write. Nor would anyone get any value from doing so.

So, leave. I think everyone already has. Except I guess you. It's not too late.

Anyway.

Amidst all the attention and excitement over the debut of 11 spot bitcoin ETFs, one fact has gotten ignored: none of them are Exchange-Traded Funds! Rather, they are all trusts, organized as Exchange-Traded Products under the Securities Act of 1933. Says so in every S-1 filed by the sponsors. These things are not ETFs based on the Investment Company Act of 1940. Nor are they commodity pools under the Commodity Exchange Act.

I get your confusion. ARK, Bitwise, Franklin Templeton, Grayscale, Hashdex, Invesco Galaxy, VanEck and WisdomTree all call their investments a "Bitcoin ETF." Valkyrie uses the term "Bitcoin Fund" while BlackRock and Fidelity more accurately call theirs a "Bitcoin Trust."

So what? After all, a rose by any other name...

Well, there are differences. But I'm not sure anyone cares about the differences, or ought to. That sentence will make finance geeks mad.

The situation is akin to that ole' "dogs and animals" bit. All dogs are animals, but not all animals are dogs. Likewise, all ETFs are ETPs, but not all ETPs are ETFs. Indeed, ETPs include not just ETFs but also ETCs and ETNs. The underlying assets of ETCs are commodities, enabling investors to buy and sell precious metals, agricultural products and energy resources without having to hold or store them. ETNs hold notes – debt securities – issued by banks. They're similar to corporate bonds and are popular in Europe, but I don't know why. (ETNs have no underlying portfolio of assets; they merely promise to pay a return at maturity based on the performance of some benchmark. I'd rather own the asset than merely be promised a return based on it. But that's just me.)

I digress. Back to the story. Which no one is reading, thankfully.

Just like dogs and animals, ETFs and ETPs are not always mutually exclusive. Both ETFs and ETPs, for example, always trade on exchanges (at least the E and the T are constant).

Nor are their differences always clear; FINRA even notes that there is "no single definition of an exchange-traded product." In a not-very-helpful posting on its site, FINRA says all ETPs are investment vehicles listed on an exchange, where they can be bought and sold throughout the trading day like stocks. Duh. FINRA also says that while some ETPs provide cost-effective

diversification, others – such as the new spot bitcoin ETFs – don't. Double-duh.

SEC Commissioner Caroline Crenshaw, who voted against approval of the spot bitcoin ETFs, wrote in her [Statement of Dissent](#) that she is "concerned that there will be confusion about what exactly these products are – they are not ETFs, the ubiquitous products that today are used by millions saving for retirement." She also wrote that "investors may infer protections that do not in fact exist."

But let's be clear: Commissioner Crenshaw expressed no concern that these new investments are ETPs rather than ETFs. (She did make a valid observation that ETPs are subject to trading halts like all securities – and while a spot bitcoin ETF might cease trading, bitcoin itself would continue to trade worldwide. This could be a detriment to investors when the ETFs resume trading. But that's a market risk, not an ETF-vs-ETP risk.)

Did you notice I have referred to these things as spot bitcoin ETFs and not spot bitcoin ETPs throughout this article? That's because everyone is calling them ETFs – including the asset management firms that sponsored them!

You'll do that, too, unless you're a finance geek.



**SIGN UP NOW**

### Stay Informed

The crypto market is rapidly evolving – sign up for free alerts at [dacfp.com](https://dacfp.com) so you're getting the latest information!