



The Daily Dish

The SEC Goes Crypto

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On Wednesday, the Securities and Exchange Commission (SEC) approved [rule changes](#) allowing the creation and trading of exchange-traded funds (ETFs) tied to the value of bitcoin, the controversial and volatile cryptocurrency. ETFs make it possible to trade in the value of bitcoin without having to buy the bitcoin and store it in a digital wallet. Instead, investors own shares of a fund whose value is tied to the value of bitcoin in spot markets. This presumably opens up bitcoin to the average investor.

It is a big move for SEC Chair Gary Gensler, who has been a vocal critic of cryptocurrencies. With apologies to [Alan Jackson](#), you can hear his critics singing now:

He's gone crypto, look at that ETF

He's gone crypto, is he totally tone deaf

He's gone crypto, spreading new risks

He's gone crypto, here he comes

Indeed Gensler was seemingly defensive about the move. *The New York Times* reported: “In a statement, Mr. Gensler, a fierce critic of fraud and volatility in the crypto markets, said the approvals should not be construed as an endorsement of the technology. ‘We did not approve or endorse Bitcoin,’ he said. ‘Investors should remain cautious about the myriad risks associated with Bitcoin and products whose value is tied to crypto.’”

That said, the underlying decision reads in part: “the Commission finds that the Proposals are consistent with Section 6(b)(5) of the Exchange Act, which requires, among other things, that the Exchanges’ rules be designed to ‘prevent fraudulent and manipulative acts and practices.’” That vouches for the underlying integrity of the bitcoin market, a bit ironic since the announcement itself was fraudulently released in a hack of the SEC X (formerly Twitter) account a day earlier. As for the asset-price risk, investors are (properly) on their own. It remains to be seen, however, whether the average investor is ready for this unique asset class and complex risk profile. *Caveat emptor*.

The bitcoin ETFs are the most significant development in crypto since the arrest of Sam Bankman-Fried, and by far the best news for crypto on the regulatory front in the past year.