

## SEMI-ANNUAL 2022 COMMENTARY

# Bitcoin ETF

Bitcoin ETF provides investors with exposure to the daily price movements of the U.S. dollar price of bitcoin while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure.

TSX

EBIT

ETF TICKERS: EBIT (UNHEDGED); EBIT.U (USD)

At the beginning of 2022, Bitcoin was at \$47,311.75. As of June 30, 2022, it closed at \$17,784.73, for a loss of 58% in the first half of the year.(i)

In May, the investment banking giant JPMorgan issued a report to its largest clients recommending Bitcoin as its preferred alternative asset for investors, instead of real estate, physical gold, fine art, or any other alt-asset type. The investment bank, which is especially bullish on Bitcoin, said the crypto is currently undervalued and should be trading at \$38,000 to be fairly priced.(ii)

At the end of June, US Securities and Exchange Commission Chair Gary Gensler told CNBC's Squawk Box that while many crypto-financial assets have the key attribute of a security, Bitcoin is the "only one" that he was comfortable publicly labeling as a commodity. The regulator made no mention about Ether, which was previously regarded as a commodity by the SEC.(iii)

Also in June, two US senators introduced a cryptocurrency bill that outlined a comprehensive set of regulations across digital assets in the U.S. The bill would make small-scale purchases of goods and services tax-free for transactions less than \$200 – potentially clearing a path for a cryptocurrency that acts more like traditional currency. The legislation would grant new oversight powers and a commanding presence to the Commodity Futures Trading Commission.(iv)

The legislation attempts to tackle the biggest questions hanging over digital assets. It would set new federal law for stablecoins, taxes on small-scale payments and the jurisdictions of regulators – answering the uncertainties that have kept the fledgling financial sector from maturing.(v)

Professional services giant Deloitte announced that it has partnered with the Bitcoin-focused financial services firm, New York Digital Investment Group (NYDIG), to help companies of all sizes implement digital assets. The companies will work together to enable blockchain and digital asset-based services across multiple areas involving Bitcoin-related products, including banking, loyalty and rewards programs, employee benefits and others.(vi)

According to the announcement, global financial institutions and banks have been facing an increasing demand to provide trusted exposure to Bitcoin. The alliance between Deloitte and NYDIG aims to help accelerate adoption while ensuring compliance.(vii)

At the end of the first half of the year, Deloitte published a survey that found that 75% of retailers in the United States planned to accept crypto or stablecoin payments within the next two years. Earlier in the year, Deloitte published another study highlighting the potential of Bitcoin as a base to create a cheaper and faster ecosystem for electronic fiat or central bank digital currencies.(viii)

In the absence of any central bank to come to their assistance, beleaguered cryptocurrency companies are turning to their peers for help. In June, billionaire crypto boss Sam Bankman-Fried's companies signed deals to bail out two firms, BlockFi, a quasi-bank, and Voyager Digital, a digital asset brokerage.(ix)

FTX, Bankman-Fried's crypto exchange agreed to provide BlockFi with a \$250 million revolving credit facility. Earlier, Voyager Digital said Alameda Research, Bankman-Fried's quantitative research firm, would provide it with \$500 million in financing. The deal consisted of a \$200 million credit line of cash and USDC stablecoins, as well as a separate 15,000-bitcoin revolving facility worth approximately \$300 million at current prices.(x)

From an international perspective, the Central African Republic has become the first country in Africa to adopt Bitcoin as a payment currency. The country drafted a law establishing both the legal framework for cryptocurrency regulation and Bitcoin as an official currency.(xi)

## Sources

- (i) [https://finance.yahoo.com/quote/BTC-USD/history?fr=yhssrp\\_catchall](https://finance.yahoo.com/quote/BTC-USD/history?fr=yhssrp_catchall)
- (ii) [https://www.theglobeandmail.com/investing/markets/stocks/JPM-N/pressreleases/8516288/jpmorgan-says-bitcoin-btc-is-now-undervalued-by-28/?utm\\_campaign=Crypto%20newsletter&utm\\_medium=email&\\_hsmi=215645390&\\_hsenc=p2ANqtz-8R3Hi6J1TbCI2OWS8XUaVa-2kN7cWtIN36Fif2yDD4bLxtD1nGQyl8CGah99d\\_6UifN3ZcspyLzdrBaEwgJ4VZSTH4Nw](https://www.theglobeandmail.com/investing/markets/stocks/JPM-N/pressreleases/8516288/jpmorgan-says-bitcoin-btc-is-now-undervalued-by-28/?utm_campaign=Crypto%20newsletter&utm_medium=email&_hsmi=215645390&_hsenc=p2ANqtz-8R3Hi6J1TbCI2OWS8XUaVa-2kN7cWtIN36Fif2yDD4bLxtD1nGQyl8CGah99d_6UifN3ZcspyLzdrBaEwgJ4VZSTH4Nw)
- (iii) <https://coingeograph.com/news/community-reacts-after-sec-s-gensler-affirms-btc-s-commodity-status>
- (iv) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>
- (v) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>
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- (viii) <https://coingeograph.com/news/deloitte-and-nydig-set-up-alliance-to-help-businesses-adopt-bitcoin>
- (ix) <https://www.cnn.com/2022/06/22/sam-bankman-fried-rescues-crypto-lenders-blockfi-voyager.html>
- (x) <https://www.cnn.com/2022/06/22/sam-bankman-fried-rescues-crypto-lenders-blockfi-voyager.html>
- (xi) <https://forbes.com/article/first-african-country-adopt-bitcoin-legal-currency-central-african-republic?s=09>

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