

Bitcoin-based stock trading gets US regulatory approval



By [Lindsey Schutters](#)

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The US Securities and Exchange Commission (SEC) has [given the green light for the listing and trading of exchange-traded products \(ETPs\) based on the price of Bitcoin](#). This lays the foundation for stock market trading on the price of Bitcoin, it also brings with it increased regulatory oversight and potential risks for investors.



Source: André François McKenzie/Unsplash

The [decision is in line with the law](#) and a court ruling that overturned its previous disapproval of a similar ETP proposal by Grayscale, a digital currency asset manager.

However, the commission has made it clear that its approval does not constitute an endorsement of Bitcoin or any other crypto asset. These assets are considered risky and volatile and are often associated with illegal activities.



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“Importantly, today’s Commission action is cabined to ETPs holding one non-security commodity, bitcoin. It should in no way signal the Commission’s willingness to approve listing standards for crypto asset securities. Nor does the approval signal anything about the Commission’s views as to the status of other crypto assets under the federal securities laws or about the current state of non-compliance of certain crypto asset market participants with the federal securities laws,” said SEC chair Gary Gensler in the official statement.

“As I’ve said in the past, and without prejudging any one crypto asset, the vast majority of crypto assets are investment contracts and thus subject to the federal securities laws.”

Social media trouble

The announcement came a day after a [fraudulent tweet sent from the official account of the SEC](#) announcing the approval of the long-awaited exchange traded funds (ETFs) on Tuesday, leading the price of Bitcoin to spike.

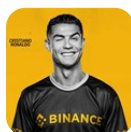
The commission said its account had been “compromised” and that the tweet was “unauthorised”.

As part of its approval, the SEC is requiring the sponsors of the Bitcoin ETPs to provide clear and truthful disclosure to investors about the products and their associated risks.

Increased scrutiny

Bitcoin ETP approval could potentially lead to greater regulatory scrutiny of the cryptocurrency market as a whole. This could include increased taxation, reporting requirements, and potential restrictions on the use of Bitcoin

The commission said it will also be keeping a close eye on the exchanges that list and trade the bitcoin ETPs. The aim is to prevent fraud and manipulation and to ensure compliance with securities laws. Any violations will be investigated.



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Interestingly, the regulator is treating the Bitcoin ETPs differently from crypto asset securities. The latter are subject to US federal securities laws, and the SEC has found that most are non-compliant.

This decision marks a significant step in the integration of cryptocurrencies into mainstream financial products. However, the SEC’s cautionary stance highlights the ongoing concerns around the use and regulation of these digital assets.

ABOUT LINDSEY SCHUTTERS

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