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# Fintech’s democratic solution to crypto: the ETF

## The cryptocurrency world can feel difficult to grasp. However, if you bottle it into a collection of securities that can be traded like stock on exchanges, you have a solution that investors are already accustomed to.

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The Exchange Traded Fund (ETF) is a democratic product. As the crypto ETF enters the market, it aims to bring about wider access to an otherwise difficult to reach asset class – as well as more transparency and greater equality in trading. All while reducing the risks associated with privately held cryptocurrency.

Cryptocurrency originated from a desire to disrupt the status quo in traditional finance with peer-to-peer (P2P), decentralised transactions. Unregulated, anonymous and with a rogue mission, cryptocurrency soon became a somewhat anarchic trademark.

ETFs were once also deemed a revolutionary financial product. Not only were they introduced as a less costly approach to direct investments, but they can guarantee exposure to a range of varied, emerging, or niche markets that wouldn’t otherwise be possible. With a great breadth and width of asset classes and a small minimum investment requirement, the ETF’s popularity has soared in the 25 years since coming to life.

It’s not surprising that crypto market participants have come to take advantage of this practical and affordable vehicle. Cryptocurrencies have long suffered from their poor reputation. Since their earliest beginnings on the now defunct

Silk Road, cryptocurrencies have come to signify libertarianism to some and lawlessness to others. The intricacies of holding crypto; the risk of losing private keys; and the need to learn about underlying complex mining activity used to scare traditional investors away.

> *Traditional financial institutions are reluctant, sometimes even unable, to adopt. Lack of regulation in the crypto world makes it a compliance minefield.*

For a conventional bank, the cloak of invisibility around a client's source of funds does not call for a celebration of innovative financial methods. It calls for a direct refusal, for fear of compromising said bank's integrity. Until we see better regulation and wider acceptance of crypto as a means of payment, traditional players remain on the outside. Or is there a less risky way in?

Despite the aforementioned adversity, the crypto world is here to stay. Troubled or not, it is only becoming more popular.

Luckily, the fintech market is less risk averse than the rest of the financial sector. It's also far more apt to iron out some of the technological challenges crypto brings – and to do so at speed.

The debut of PayPal has made online purchases a breeze. Over a decade ago, online payments was just as much of a Wild West as today's crypto environment. In PayPal's initial IPO filing, it warned:

> *"We cannot assure you that the relatively new market for online payment mechanisms will remain viable. There are currently few laws or regulations that apply specifically to the sale of goods and services on the Internet."*

Today, we can buy anything online. We can trade on marketplaces. There's P2P lending; there are virtual POS solutions, virtual banks, and digital wallets. You can pay for food or fuel with your phone.

We believe cryptocurrencies are part of this revolution and crypto investments should be just as easy and accessible as online payments. PayPal made e-commerce easy, and we think ETFs will do the same for the world of crypto:

> The crypto ETF allows better and safer custody of cryptocurrencies. The security and storage responsibility goes to an experienced and audited third party.
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> The investment world may not have an easy way in with Bitcoin or Ethereum, but it will find better liquidity with ETFs. Trading with reliable counterparties and trusted systems will be the best approach.
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> Conventional or disruptive, financial institutions ultimately go where the money leads. Right now, we're in the midst of the  Bitcoin boom – and everyone wants to be part of the future.

But for all of this to happen, we need better regulation. At the moment, Europe has split views on cryptocurrencies. While Germany made the move to allow Bitcoin ETP listing on Deutsche Borse, the UK's Financial Conduct Authority banned the sale of crypto exchange traded notes and warned investors to prepare to "lose all their money".

As we enter this next phase of growth, it is essential for the crypto arena to be properly regulated to bring trust and guide traditional institutions down a less risky path.

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*About GHCO: As market makers, our pledge is to build transparent and accessible financial markets. More competition and enhanced liquidity mean better pricing and more choice for investors. Our nature is to find solutions to obstacles, to grant access and allow democratic choice of trading and investing, anywhere in the world. Whether it is in traditional, esoteric or digital assets, your choice of trade should be available and easily accessible.*