

Bitcoin is a unique instrument. It has the features of both an asset and a currency. It is capable of being traded directly between parties, like gold or cash, but it is also capable of being held and transferred electronically.

There is little question that a Bitcoin ETF is going to be a popular and ultimately pivotal instrument, and that the SEC's rulings will be closely watched in this case.

Like cash and gold assets, Bitcoin is prone to theft. Mt. Gox is perhaps the most high-profile example of bitcoins held by an agency being stolen. While hundreds of thousands of bitcoins were lost by the exchange, this occurred over a fairly long period of time. Rather than reveal losses, the agency apparently attempted to recover by trading its own accounts. Investors had no ability to audit Mt. Gox reserves. If they had, the losses would likely have been far less severe.

Unlike with non-digital assets, an "audit" of assets in Bitcoin can be low cost, public, and automated. There is no legitimate reason to maintain secrecy of the holdings involved in a trust or exchange. Indeed, any issues with Bitcoin holdings will be much more quickly found and corrected if public inspection is allowed.

A well-managed trust should be able to trivially update its proof of assets at least once every day, if not more often (every time coin is moved or acquired).

For example, the protocol provided below is trivial and can be implemented by any trust or agency:

<https://github.com/olalonde/proof-of-assets>

Or, there is a more complex protocol that allows for the trust to maintain anonymity over the specific addresses held by the trust, while still allowing for public proof of assets:

<http://www.jbonneau.com/doc/DBBCB15-CCS-provisions.pdf>

I would propose that the SEC require that any trust that is holding Bitcoin *either*:

- maintain insurance on its assets
- *or* allow for public, daily audit of funds

Without one of those two measures, investors in a Bitcoin trust cannot be reasonably assured that their investment is being soundly custodied.

There are a number of issues that the SEC should consider regarding an ETF in Bitcoin, many of which are addressed in other comments. Given the nature of Bitcoin as an electronic asset, a public and daily proof, rather than the stated provisions for private audits, should also be considered.