

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

August 27, 2016
Via e-mail: rule-comments@sec.gov

Comments on SR-BatsBZX-2016-50

Winklevoss Bitcoin Shares

Mr. Secretary,

Thank you for hearing my comments on this rule change.

Since June 5, 2011, I have followed the development of Bitcoin (the network) which ingeniously creates and facilitates bitcoin (the asset) using shared ledger technology, known as the blockchain.

In that time, I have seen major strides and awesome failures.

The strides have been largely technological. Advancements, like multisignature, allow Bitcoin network users to encumber their bitcoin such that multiple people must “sign off” on a transaction before it can occur. That has been great for security, especially in organizational settings.

Another improvement, worth mentioning, is hierarchical deterministic key generation. This makes managing ownership of bitcoin significantly simpler without compromising security. Rather than backing up dozens, or even hundreds, of keys, with an “HD wallet,” consumers only need to backup one private key seed. That has been a major improvement, in terms of usability.

However, owning and controlling bitcoin remains a highly specialized task. As a programmer, even I struggle to manage my private keys securely. It requires fairly advanced technological know-how. When it comes down to it, bitcoin is valuable data and valuable data is hard to keep safe.

Because of the difficulty and specialized knowledge required to manage bitcoins, many investors rely on exchanges to act as custodians of their value. This fact alone is why I believe that a Bitcoin ETF is a major milestone and improvement. It is crucial that the SEC regulates this industry.

Just recently, an exchange called Bitfinex lost something like 120,000 BTC, or about \$60,000,000 USD, of their users funds. The full details are still unknown, but what is known is that thousands of consumers trusted Bitfinex to secure their bitcoin, that they were trading, directly.

I believe that a Bitcoin ETF, like the one being proposed by the Winklevoss Bitcoin Trust, which is fully regulated and compliant, would represent a major improvement over the existing reality.

Were it possible to trade an ETF backed by bitcoin rather than bitcoin itself, the concerns around security would be greatly diminished and the risk of loss due to no fault of your own greatly reduced.

Sincerely,
Dan Anderson