Ms. Vanessa A. Countryman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

June 17, 2021

Re: Release No. 34-92196; File No. SR-CboeBZX-2021-019 (June 16, 2021)

Dear Ms. Countryman,

Thank you for the opportunity to comment on the Cboe BZX proposal to list and trade shares of the VanEck Bitcoin Trust. I am an Assistant Professor at the University of Toronto Mississauga and the Rotman School of Management in Toronto, and my research agenda focuses on the optimal structure and design of securities exchanges.

I encourage the SEC to approve the proposal, with a caveat regarding fund competition. I understand there are valid concerns regarding the product: it is difficult to pinpoint the value of Bitcoin using standard models, and its price is historically volatile. Nevertheless, Bitcoin generates significant trading interest from retail and institutional traders alike. In the absence of investment products on regulated exchanges, investors would typically need to turn to unregulated platforms, and therefore assume custodial risks from crypto-exchanges, in addition to Bitcoin price risk.

A Bitcoin ETF has the potential to reduce Bitcoin volatility, generating positive externalities for existing investors and ultimately for financial stability. The marginal demand for the Bitcoin ETF is likely to come from relatively more conservative investors – for example, retail traders unwilling to trade on unregulated markets, as well as institutional traders who lack a mandate or the risk tolerance to do so. Such investors are the most likely to be drawn to VanEck's product as a regulated, easy-to-use instrument traded on a familiar platform. A shift in the marginal investor's risk aversion, as well as increased attention from sophisticated institutions, would lead to a Bitcoin price which is hopefully less susceptible to wild swings and "animal spirits", often driven by social media events.

Product competition. I would recommend the SEC to approve a batch of Bitcoin ETFs at once, rather than to approve them sequentially. That is, to follow Canada's approach for approving Ether ETFs in April – and not Canada's approach for approving Bitcoin ETFs in January.

The rationale is that network externalities are particularly strong for ETFs with identical underlying portfolios, leading to large advantages for the first mover. Liquidity tends to gravitate toward the first ETF provider in the space, which can then command higher management fees than subsequent entrants.[1] That is, first movers are able to charge a liquidity premium from investors. This effect leads to a segmentation of investors, with short-horizon traders preferring liquid products and long-horizon investors focusing on cheaper ones. In contrast, allowing for several products to be launched simultaneously would help investors coordinate on the one with lowest fees, stimulating both liqudity and competition on management fees between issuers.

Sincerely yours,

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[1]See, for example, Khomyn, Putniņš, and Zoican, 2020, *The Value of ETF Liquidity*, revision requested by the Journal of Finance, https://ssrn.com/abstract=3561531.