July 9, 2017
Via e-mail: rule-comments@sec.gov

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

Re: Comments on File No. SR-NYSE Arca-2017-06

Mr. Secretary,

I am writing in support of the proposed rule change by the NYSE Arca to list and trade shares of the Bitcoin Investment Trust under NYSE Arca Equities Rule 8.201.

I spent the past four years as a portfolio manager for the University of Chicago's $7 billion endowment. Prior to joining the endowment, I was a proprietary trader and market maker for Susquehanna International Group (SIG), which included trading exchange traded funds (ETFs). I began researching cryptocurrencies in early 2014 and then helped educate institutional investors about the positive role cryptocurrency can play as part of a diversified portfolio. I am currently co-founding a cryptocurrency focused hedge fund, BlockTower Capital. The thoughts that follow are entirely my own.

Cryptocurrency is a positive disruptive force in many ways.

- For the unbanked and underbanked in Africa, Bitpesa provides inexpensive and fast P2P payments via users' cellphones using the Bitcoin blockchain as a payments channel.
- Most consumer facing internet commerce relies on advertising, because micropayments weren't feasible in the past. Cryptocurrencies like Bitcoin will likely facilitate new business models centered around micropayments for online content.
- Cryptocurrencies facilitate the creation of marketplaces to price scarce digital assets like file storage space, which may improve capacity utilization and improve resource allocation.
- Lastly, for people around the world who face the threat of asset seizure by oppressive regimes or by corrupt judges or law enforcement officials, cryptocurrency provides a relative safe haven.

Cryptocurrency is also a boon for investors. The cryptocurrency market cap has grown by more than 125% annualized over the past seven years, with a very low correlation to traditional asset classes. While we can't predict future returns, the tremendous technological innovation and fundamental demand for the use cases that cryptocurrency can satisfy suggest that cryptocurrency may continue to provide attractive returns in the future. The combination of high expected return and low correlation to equity and bonds makes cryptocurrency a very valuable addition to an investor's portfolio by providing both an increase in return and a reduction in risk via diversification.

But we have a problem. Institutions like the University of Chicago face difficulty investing in cryptocurrency for a variety of reasons – one of the most serious obstacles is custody. It is currently very hard for an investor to have confidence they are storing their own cryptocurrency securely, and this problem is magnified when entrusting a third party to store cryptocurrency on one's behalf. An ETF that is sponsored by a professional asset manager, such as Grayscale Investments, mitigates these concerns by introducing accountability, transparency, and a strong operational track record. The creation/redemption mechanism of ETFs facilitates greater liquidity and closer tracking of the underlying NAV. The ability to trade ETFs on regulated exchanges also mitigates the counterparty exposure that investors currently face when buying cryptocurrency directly.

There are several legitimate concerns about this new asset class. Cryptocurrency is very volatile for example. A robust capital market and the availability of derivatives may reduce the volatility of underlying assets. Cryptocurrency may benefit from a reduction in volatility as the relevant capital markets become more developed. An ETF will facilitate professional market making which will likely dampen volatility, and may also serve as a foundation to facilitate the transparent pricing and hedging of cryptocurrency volatility.

Another concern is the lack of overall regulation; it's true that a great deal of cryptocurrency is currently traded on unregulated exchanges. A possible remedy is to provide investors with an attractive regulated alternative: a Bitcoin ETF. By bringing substantial volume on to a regulated platform, the SEC can create a cascading effect of professionalization and regulation. The market makers who create and redeem the ETF shares will produce demand for regulated Bitcoin exchanges on which they can trade the underlying bitcoins with confidence. As they trade the underlying bitcoins, they will be transmitting the volume of the Bitcoin ETF to the most regulated and trustworthy exchanges, shifting a major portion of bitcoin trading on to regulated exchanges.

A Bitcoin ETF like the Bitcoin Investment Trust will directly protect investors by reducing the operational risks of investing in cryptocurrency. It will facilitate the maintenance of fair, orderly, and efficient markets, by bringing a great deal of bitcoin trading (via market maker hedging) to regulated changes with reduced counterparty risk and greater transparency. And it will facilitate capital formation by facilitating institutional investments in Bitcoin, which incentivizes and fuels the growth of the cryptocurrency ecosystem more broadly and the technological innovation that produces.

I thank the Commission for the opportunity to comment on this proposed rule change.

Thank you,

Ari Paul

Ari Paul

CIO and Managing Partner of BlockTower Capital