Bitcoin ETF Is A Joke, Claim Investment Experts

July 10, 2013 By Lisa Smith

The murky world of Bitcoin investing is under attack again as two wealthy backers try to drum up support for an exchange traded fund (ETF) based on the virtual currency.

Bitcoin currently stands accused of providing a haven for crooks, fraudsters and terrorists by the US government, which is investigating transfers.

Investment experts rubbish the ETF as daft, because the value of Bitcoin is not linked to any central government bank or regulator.

The ETF was proposed by the Winklevoss brothers, who were involved in the development of Facebook into a worldwide phenomenon.

They hold around £6.6 million of the virtual currency and want to raise £13 million from backers to start an ETF that will let investors gamble on the future pricing of Bitcoin.

Credit to Bitcoin

One of the leading investment experts speaking out against the plan is Professor John Rusham, of Warwick Business School, a former managing director of finance house BlackRock.

"In its favour, a lot of credit has to go to Bitcoin as the currency cannot be manipulated by central banks or governments, has a transparent exchange rate and is accessible to anyone who can login online," he said.

"But, I cannot see the ETF idea attracting many serious investors. Let’s face it; anyone who wants Bitcoin has probably already got some. I, for one, wouldn’t want to put money into a security that has all the risks of investing direct plus the disadvantage of extra administration and management fees."

Professor Campbell Harvey, of the Fuqua School of Business at Duke University, said investing in a Bitcoin ETF was a laughable proposition.

"Bitcoin is a virtual currency with no tangible backing, so I cannot see how a Bitcoin ETF offers any value as an investment," he said.

Silk Road connection

Bitcoin has increased in popularity since Satoshi Nakamoto created the currency nearly five years ago.

Supporters praise the currency as a method of revolutionising banking, while opponents, like US drug enforcement agency claim Bitcoin is exploited by drug gangs and terrorists.

A recent drugs bust in South Carolina, USA, revealed the dealer was receiving payment as Bitcoins from users.

The dealer was allegedly advertising drugs for sale on the infamous Silk Road web site, also
known as DrugBay by users and traders. Police allegedly found several bags of drugs during the raid. One man was arrested but has not yet been charged.

The price of Bitcoin, which is limited to 21 million units, has varied from $14 to $266 a unit this year.

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