

SEC Staff Statement on Registered Funds Investing in Bitcoin Futures

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On May 11, the SEC Staff [issued a statement](#) to investors, encouraging them to be cautious of mutual funds that invest in Bitcoin futures. The Staff also took the opportunity to note that the Division of Economic and Risk Analysis will closely monitor registered funds' use of Bitcoin futures. The Staff noted the factors it would be considering: the liquidity and depth of the Bitcoin futures market and whether it is appropriately supporting mutual fund investments given regulatory requirements related to liquidity; the ability of mutual funds to liquidate their positions; mutual fund valuation of holdings; liquidity classification by mutual funds of Bitcoin futures during normal and reasonably foreseeable stressed positions; the potential for fraud and manipulation in the underlying Bitcoin markets; whether the Bitcoin futures market could accommodate ETFs. In what would seem a statement that might apply to any investment type, the staff took the opportunity to state that "IM staff believes at this time that investment in the Bitcoin futures market should be pursued only by mutual funds with appropriate strategies that support this type of investment and full disclosure of material risks." The staff went on to encourage potential closed end fund registrants that contemplate investing in Bitcoin futures to contact the staff before filing to discuss their intentions.

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