capable of defaulting on bitcoin. There is nobody to give a rating to or whom to sell a bond to. Bitcoin is like gold in this way: a commodity. Bitcoin is also information. It is trivial and costless to validate. Whoever holds the private keys that prove the ownership and can cryptographically spend the coins has complete and total ownership of their bitcoin. In this sense, bitcoin itself has no counterparty credit risk.

If one abstracts bitcoin in any way through a third party like a custodian, exchange, or even a friend, you are creating the risk that the third party will not give you the bitcoin when you try to access it. There is a long list of exchanges that "defaulted" on their customers, from MtGox to Celsius to FTX. The bitcoin itself had no credit risk. Nobody who held their own bitcoin was ever impacted by these events, only people who gave their trust to third parties.

The spot ETF that BlackRock created is based on BlackRock buying actual bitcoin and using a third party to custody it. The third party is on a list of federally sanctioned "Qualified Custodians", and they hold insurance on their balances. In contrast, Fidelity, BlackRock's chief competitor on the spot ETF, was able to build their own custodial solution so that they hold the keys to the bitcoin bought on behalf of the ETF. BlackRock is exposing its customers to the risk of their custodian losing the keys or failing to deliver them for any reason. Fidelity is only exposing its customers to their custodial risk. By custodying the bitcoin bought for the ETF themselves, Fidelity incurs zero counterparty risk.