

jected, prompting Grayscale to sue the SEC in June 2022.

Significance of the Spot Bitcoin ETF

It can't be overstated how significant a milestone the spot ETF was for bitcoin. Many viewed the SEC's continued rejections of the product as an overt form of obstruction. After repeated rejections with poor explanations, Grayscale finally sued the SEC over their failed 2022 application, and a federal appeals court ruled that the SEC's rejection was "arbitrary and capricious." While the ruling was likely the last domino to fall to clear the way for BlackRock's application, the question that must be asked is, "What exactly was the SEC obstructing?" What is it about a spot ETF that is worth all the trouble?

While there are details that distinguish a spot ETF from a futures ETF, like the price target and liquidity, for a market as early in its development as bitcoin, a spot ETF gives it a freeness and a functionality that really allows the worldwide marketplace to discover its prices and volumes. A free and frictionless market can grow organically and emerge to find its equilibrium without the manipulative forces that tend to impact growing markets. A futures ETF was a baby step towards expanding the liquidity of bitcoin. The spot ETF would be a giant leap, and while the SEC's obstruction of bitcoin's emergence and natural discovery is hardly limited to the repeated rejection of spot ETF, it does make sense