

Jersey Bitcoin Fund listed on CISE

December 2016

The Jersey-based Global Advisors Bitcoin Investment Fund plc (GABI) was listed on the Channel Islands Securities Exchange on 19th December making it one of the first bitcoin funds to be listed anywhere in the world and the only cryptocurrency fund regulated by the Jersey Financial Services Commission.

Bitcoin is the first and leading decentralised cryptocurrency and during its first seven years of existence has caught the eye of more adventurous investors due to its meteoric rise in value. In 2009, one bitcoin was worth less than a penny and in 2010 two pizzas were famously purchased for the total sum of 10,000 bitcoins, today worth over £6.4m. At present, there are around 16m bitcoins in circulation with a market capitalisation of almost £10.3bn.

Whilst the exchange rate has levelled over time, bitcoin remains an interesting prospect for investors. It was the world's best performing currency for five of the last six years, the price is now at its highest for almost three years and it is on course to beat its all-time high in 2017. The significance of GABI is that it provides exposure to this growth potential, without the risk involved with holding the asset directly.

Some of the major benefits of bitcoin are that no single government or state has control over it, so it is sheltered from devaluation by quantitative easing and manipulation by tyrannical regimes, and as it is built on a decentralised platform, the blockchain, bitcoin is far less susceptible to cartels and cyberattacks than traditional currencies. Like gold, bitcoin is fungible and there is a finite amount. The maximum of just under 21m BTC will be released by the system by 2140 and it lends itself to use as a safe haven asset. Immediately following the news that Donald Trump would be the next president of the United States, bitcoin prices received a bump, along with commodities including gold, and whilst the latter has since more than given up its gains, bitcoin's trajectory continues upwards.

Research has shown that since 2010, bitcoin has not behaved like equities, bonds, real estate, precious metals or any other currency. In fact, bitcoin appears to be a completely independent asset class and, as such, offers new opportunities for diversification of investment portfolios and as an additional hedge during economic uncertainty. Leveraging its favourable characteristics, financial services businesses around the globe are launching products linked to bitcoin and in addition to GABI, the Winklevoss twins are currently awaiting approval from the US Securities and Exchange Commission for their bitcoin exchange traded fund, COIN, and Swiss private bank, Vontobel, has created a certificate which tracks the value of bitcoin in a form which can be traded on the secondary market. Recently, one of the largest futures companies, CME Group, began publishing its CF Bitcoin Reference Rate, an authoritative exchange rate which paves the way for bitcoin futures and derivatives.

Since cryptocurrencies are relatively new and generally poorly understood, many regulators and lawmakers are having difficulty classifying and fitting them into existing frameworks. Jersey, however, has a progressive legal regime and open-minded governance designed to foster innovation in FinTech, including novel products like bitcoin. At Collas Crill, we are specialist practitioners in banking, finance, funds and trusts and are well placed to assist you in building a business which takes advantage of bitcoin, other cryptocurrencies, or blockchain technology.

WE ARE OFFSHORE LAW

BVI | Cayman | Guernsey | Jersey | London

This article does not constitute investment advice.