

Grayscale marks victory against SEC in spot ETF case

A U.S. appeals court ruled in Favor of crypto investment firm Grayscale in its case against the Securities and Exchange Commission (SEC) over the proposed listing of an exchange-traded fund that directly tracks the price of bitcoin.

The U.S. District of Columbia Court of Appeals on Tuesday ruled that the SEC was unable to fully explain its reasoning behind the rejection of Grayscale's application to list a spot bitcoin ETF, and that the commission needed to review its decision.

Bitcoin prices shot up after the move and were trading up 5.3% at \$27,448.0 by 01:37 ET (05:37 GMT) on Wednesday. Peer Ethereum also rose 4%.

The ruling is a major victory for Grayscale and the crypto industry and could pave the way for an eventual listing of a spot bitcoin ETF for the first time in U.S. markets.

The SEC has repeatedly shot down applications for a spot bitcoin ETF, having rejected Grayscale's application in June 2022 on concerns over anti-fraud mechanisms and investor protections. It had cited the same reason when rejecting several other applications for a spot ETF, including those from Ark, VanEck and Fidelity.

Grayscale had taken the SEC to court over the June rejection.

But while the agency has rejected spot ETFs, it has allowed listings of bitcoin futures ETFs, which track a pre-agreed price for the cryptocurrency. Grayscale had argued that the investor protection mechanisms used in the futures ETFs would be sufficient for the spot listing- with Tuesday's ruling agreeing that the spot and futures ETFs were materially similar.

The SEC now has 45 days to appeal the decision.

Several other parties also applied for a spot bitcoin ETF this year, including Nasdaq Inc (NASDAQ:NDAQ) and BlackRock Inc (NYSE:BLK), the world's largest asset manager. A bulk of these filings proposed working with Coinbase Global Inc (NASDAQ:COIN), the biggest U.S. crypto exchange, to police bitcoin trading and prevent price manipulation.

While the listing of a spot ETF is expected to attract a slew of institutional money into crypto, Grayscale's victory also comes at a time when the industry is grappling with a severe downturn in public interest.

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