

Subject: File No. SR-NYSEArca-2021-57

From: SAM AHN

This is my 22nd comment on bitcoin. All my writings on bitcoin, including this, are about intrinsic value. My previous comments can be found at these links:

Link 1: <https://www.sec.gov/comments/sr-cboebzx-2018-040/srcboebzx2018040-4206251-172835.htm>
Link 2: <https://www.sec.gov/comments/sr-nysearca-2017-139/nysearca2017139-4221685-172898.htm>
Link 3: <https://www.sec.gov/comments/sr-cboebzx-2018-001/cboebzx2018001-4226785-172988.htm>
Link 4: <https://www.sec.gov/comments/sr-nysearca-2018-02/nysearca201802-4240462-173003.pdf>
Link 5: <https://www.sec.gov/comments/sr-cboebzx-2018-040/srcboebzx2018040-4274529-173133.pdf>
Link 6: <https://www.sec.gov/comments/sr-cboebzx-2018-040/srcboebzx2018040-4530331-176071.pdf>
Link 7: <https://www.sec.gov/comments/sr-cboebzx-2018-001/cboebzx2018001-4581773-176242.pdf>
Link 8: <https://www.sec.gov/comments/sr-cboebzx-2019-004/srcboebzx2019004-4934624-178449.pdf>
Link 9: <https://www.sec.gov/comments/sr-cboebzx-2019-004/srcboebzx2019004-5180412-183546.pdf>
Link 10: <https://www.sec.gov/comments/sr-cboebzx-2019-004/srcboebzx2019004-5318047-183890.pdf>
Link 11: <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5524009-185228.pdf>
Link 12: <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5706832-185947.pdf>
Link 13: <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5717064-186027.pdf>
Link 14: <https://www.sec.gov/comments/sr-nysearca-2019-39/srnysearca201939-5810618-187451.pdf>
Link 15: <https://www.sec.gov/comments/sr-cboebzx-2021-019/srcboebzx2021019-8652267-231475.pdf>
Link 16: <https://www.sec.gov/comments/sr-cboebzx-2021-024/srcboebzx2021024-8664058-235363.pdf>
Link 17: <https://www.sec.gov/comments/sr-cboebzx-2021-029/srcboebzx2021029-8732324-237081.pdf>
Link 18: <https://www.sec.gov/comments/sr-nysearca-2021-31/srnysearca202131-8861698-240078.pdf>
Link 19: <https://www.sec.gov/comments/sr-nysearca-2021-37/srnysearca202137-8883651-240445.pdf>
Link 20: <https://www.sec.gov/comments/sr-cboebzx-2021-039/srcboebzx2021039-8895798-241277.pdf>
Link 21: <https://www.sec.gov/comments/sr-cboebzx-2021-019/srcboebzx2021019-9058723-246357.pdf>

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This writing is about what to think about Quote 1 below, which is on Page 6 of Link 22.

Link 22: <https://www.sec.gov/rules/sro/nysearca/2021/34-92395.pdf>

(Quote 1) The value of bitcoin, like the value of other digital assets, is not backed by any government, corporation or other identified body.

Quote 1 effectively means that bitcoin has no intrinsic value. We can say it because (1) Quote 1 is a negative expression and (2) nothing else is said about intrinsic value of bitcoin. Something like Quote 2 below, which is requoted from Link 17 above, is completely absent from the entire document at Link 22.

(Quote 2: requoted from Quote 3 at Link 17 above) It's generally understood that the combination of these two features – a systemic hard cap of 21 million bitcoin and the ability to transact trustlessly with anyone connected to the Bitcoin Network – gives bitcoin its value.

As the two points in Quote 2 is both untrue, absence of something like Quote 2 makes this proposal much truthful with intrinsic value. If the SEC were all about disclosure, this proposal could be a great candidate for the first SEC-approved bitcoin ETF.

The SEC, however, look concerned of more than just disclosure. Quote 3 below shows how the SEC recognizes usefulness of intrinsic value of assets underlying ETF's. It is from Page 123 of a recent SEC document at Link 23.

Link 23: <https://www.sec.gov/rules/final/2019/33-10695.pdf>

(Quote 3) Unlike shares of open-end funds, ETF shares are traded in the secondary market at prices that may deviate from the ETF's NAV. As a result, ETF investors may trade shares at prices that do not necessarily reflect the NAV of the underlying ETF assets. (Note 554 from here) It is possible for both the ETF's NAV per share and its share price to deviate from the intrinsic value of the ETF's underlying portfolio. In addition, there may be cases in which the ETF's share price is closer to the intrinsic value of the ETF's portfolio than its NAV per share.

Note that "if any" is not inserted after the phrase intrinsic value. From this we can infer that something traded in stock exchanges does have intrinsic value. When something is being traded in stock exchanges, ordinary investors believe that it has been approved by the SEC and it has some intrinsic value. When this belief is hazardous, ordinary investors cannot be protected. In other words, the SEC's mission at Link 24 falls into jeopardy.

Link 24: <https://www.investor.gov/introduction-investing/investing-basics/role-sec>

Mission

The U. S. Securities and Exchange Commission (SEC) has a three-part mission:

- Protect investors
- Maintain fair, orderly, and efficient markets
- Facilitate capital formation

The first mission justifies the absence of "if any" after intrinsic value in Quote 3. It is right and just for the SEC to take intrinsic value as an essential part of a security traded in the stock market. Securities are called securities because they are secured by intrinsic value. Concern for intrinsic value is seen in in Quote 4 below, too. It is from a much older speech at Link 25.

Link 25: <https://www.sec.gov/news/speech/1933/122133bane.pdf>

(Quote 4) Examination of the basis for liability under Section 11 shows that liability is rested upon damage consequent to material misstatements or misleading or inadequate statements of a material character in the registration statement. "Material" in this connection, as is abundantly illustrated by the cases under the English Companies Act, has a relationship to the purported value of the security as reflected in the offering price. Facts become material when by their misstatement or omission non-existent values are attributed to a security.

Quote 4 does not have exact wording of "intrinsic value," but the underlined sentence means it. No value, no trading.

Practically, investors can be protected only when something without intrinsic value is prohibited from trading. The SEC, however, seems not equipped with laws for such a prohibition. Here, we see a gap between mission of the SEC and reality around the SEC. The only tool to fill the gap is a new law.

There can be a question as to who must initiate the legislation for this. The answer can be found in the truth that the thirstiest person will be the first one to start digging the well. For the new law, the SEC is the thirstiest one because it is on the brink of missing its mission – “Protect investors.” It is none other than the SEC who must initiate the legislation.

With the new law, the main issue with bitcoin ETF will be intrinsic value.

There are people who believe that intrinsic value of bitcoin is public opinion. They think of this public opinion as a new class of value, but it is not new. An older term for public opinion is expectation, which is not a value. Stocks whose prices are determined by expectation and nothing else was once called blue-sky stocks.