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ETC Group

BTCetc – ETC Group Physical Bitcoin BTCE | FAQs

Written by ETC Group

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About Bitcoin

What Is Bitcoin?

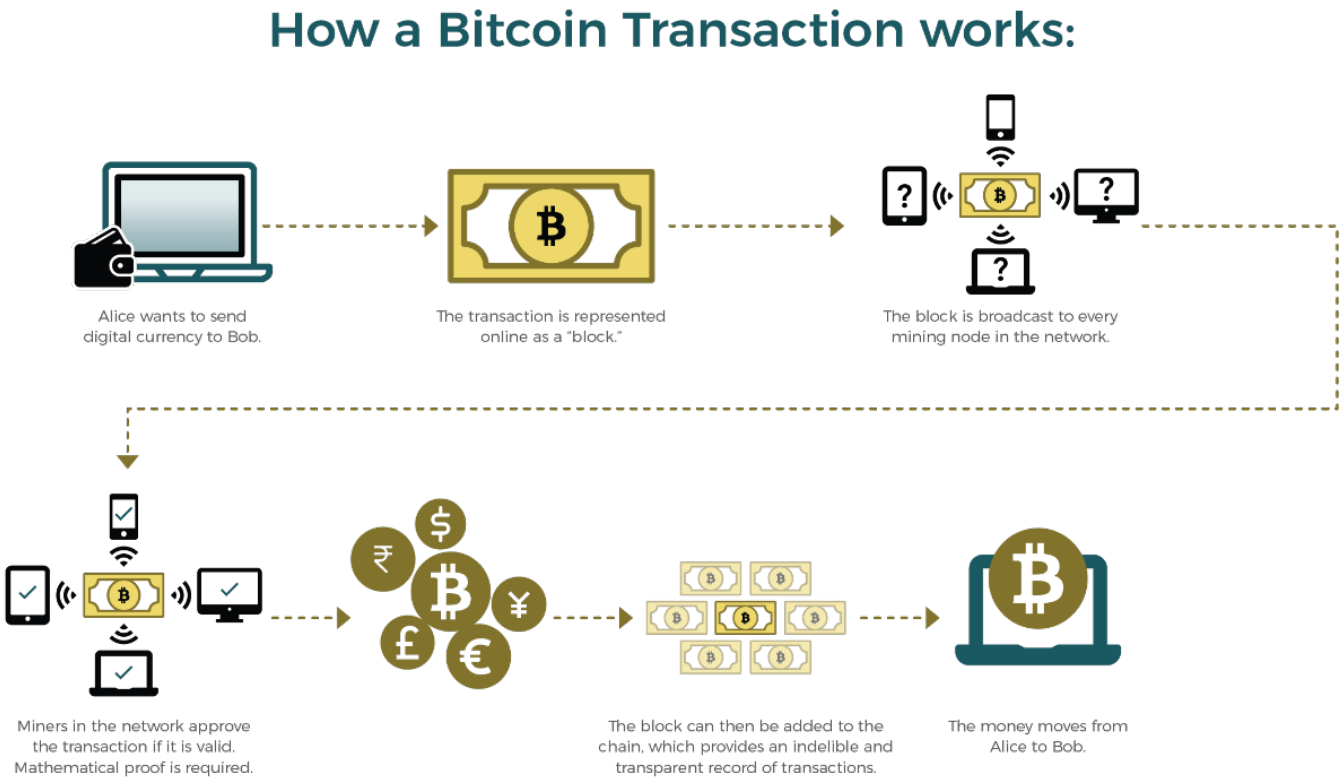
Bitcoin is a cryptocurrency. It is a decentralized digital currency without a central bank or single administrator that can be sent from user to user on the peer-to-peer bitcoin network without the need for intermediaries. Transactions are verified and recorded in a public distributed ledger called a blockchain.

Why Would I Invest in Bitcoin?

Bitcoin has historically performed as an uncorrelated asset, meaning its price movements appear unrelated to movements in traditional markets in stocks and bonds. As a result, investing in bitcoin may offer benefits to a diversified portfolio, provided the allocation is sized correctly (for example 1% to 5% of portfolio value).

What Gives Bitcoin its Value?

In addition to being a store of value, a successful currency needs to meet standards of scarcity, divisibility, transferability and utility. bitcoin's value comes from the fact that it meets and often surpasses fiat currencies in delivering these qualities. bitcoin is actually a very hard currency, with the total supply defined and limited within its codebase unlike fiat currencies where governments can increase the money supply at will. bitcoin's divisibility is clear with the Satoshi being the smallest unit. At 8 decimal places, the Satoshi is a one hundred millionth of a bitcoin. Bitcoin's transferability is one of its major achievements as it bypasses the traditional banking systems and its limitations.



What is Bitcoin Mining and How Does it Affect Investors?

Bitcoin Mining is the way new bitcoins are added to the available supply. It involves "miners" solving very complex mathematical problems and earning bitcoin as a result. There is a finite amount of bitcoin supply. The protocol limits the total supply to 21 million bitcoin making it a very hard currency compared to fiat currencies controlled by central banks. Today, there are just over 18 million in circulation.

What is a Crypto Wallet and Do I Need One?

If you want to purchase, store and spend bitcoin, a wallet is essential and managing the security of your wallet(s) is necessary to ensure you do not lose your bitcoin. One of the main advantages of investing in a a cryptocurrency ETP such as BTCE is that it is physically backed by bitcoin (and is even interchangeable with bitcoin) but one can buy and sell it on a regulated exchange like stocks or shares. It is stored safely in your account at your stock broker and you don't need to engage in the cryptic world of trading bitcoin itself.

What are the Pitfalls to Trading Bitcoin?

While bitcoin and cryptocurrencies have revolutionised the way we think about traditional currencies and payments, buying and storing bitcoin is not necessarily simple and straightforward, leaving some investors and users out of pocket or sceptical about investing. Some of the current challenges are:

- Setting up an account with a bitcoin exchange can be a lengthy and time-consuming process;
- Setting up a cryptocurrency wallet isn't easy from a technical point of view and requires a steep learning curve for the uninitiated user;
- Theft, fraud and loss of value, for example due to the loss of keys, can make it impossible to recover lost funds. There is no central authority to raise concerns with or to contact if you lose your keys or to reverse the transaction if you are the victim of fraud;
- The market is fragmented and the infrastructure is not as developed as traditional financial markets so participants face technical, legal and regulatory challenges as well as liquidity issues for large sized transactions.

Exchange Traded Cryptocurrencies

Is there an Alternative to Regular Bitcoin Trading?

Securities are now available that can provide access to the powerful diversification and return potential of bitcoin in a regulated, transparent and exchange-listed structure. These products allow the investor to trade bitcoin with a product that is as easy to trade as any share or ETF.

What is Exchange Traded Cryptocurrency?

With investors cognizant of the pitfalls of traditional bitcoin investing, issuers such as ETC Group have created new bitcoin exchange traded products (ETP) to allow investors to trade bitcoin on regulated securities exchanges, through their regular broker or bank. This provides a safer and more convenient way to gain exposure to bitcoin. ETC Group launched BTCetc - Bitcoin Exchange Traded Crypto (Ticker: BTCE) in order to enable investors to trade bitcoin through a traditional and well established product structure on regulated markets.

What is BTCetc (Ticker: BTCE)?

BTCE was the first centrally-cleared bitcoin ETP ever issued, and is listed on Germany's largest stock exchange, Deutsche Börse XETRA, and SIX Swiss Stock Exchange. The BTCE Prospectus was approved by the German Federal Financial Supervisory Authority (BaFin).

Because BTCE is a security, it can be used in the same way that stocks and bonds are used within your brokerage account - not only as collateral, but also for yield enhancement via transactions such as stock loan and repo. BTCE is issued by ETC Group and marketed and distributed by HANetf.

Is every Unit of BTCE issued backed by actual Bitcoin?

Yes, for every unit of BTCE there is a pre-defined amount of bitcoin stored in secured custody (1 BTCE = 0.001 bitcoin on the issue date of BTCE, then this value decays at the rate of 2% per year, which represents the management fee). Statements are regularly produced by the independent administrator verifying that bitcoin in custody is always more than sufficient to cover all units of BTCE in circulation. The weekly AUM statements are available here: https://btc-etc.com/resources/

What are the Advantages of Investing in BTCE over Directly Investing in Bitcoin?

An easier way to invest in cryptocurrency

Investing in BTCE is as simple as buying shares through your broker or bank. Unlike investing directly in bitcoin, there is no need to engage with the technical challenges of setting up a cryptocurrency wallet to store bitcoin. Your units of BTCE are safely held with your broker or bank, thus removing the risk of losing your investment due to a lack of knowledge of how cryptographic keys work.

Invest in Bitcoin on a regulated exchange

BTCE is traded on XETRA, one of the largest exchanges in Europe. As Deutsche Börse´s XETRA is a regulated exchange, this means that investors can trade with confidence knowing that all market participants are strictly vetted and carefully monitored to prevent market abuse. The alternative is to buy bitcoin on cryptocurrency exchanges, many of which are unregulated or do not have as strict security and compliance standards.

Ample liquidity

The issuer has partnered with world-class liquidity providers and authorised participants (APs) to ensure there is ample liquidity, resulting in tight spreads on-exchange and the ability to create or redeem units of BTCE on the primary market.

Redemption for Bitcoin

BTCE can also be redeemed directly for bitcoin. As an additional layer of protection for investors, every redemption transaction must be confirmed by the issuer and a reputable third-party administrator to ensure that no bitcoin can be misappropriated due to misconduct or negligence on of the part of the issuer.

Safe custody

The issuer stores the bitcoin with BitGo Trust Company, a secure, regulated custodian purpose built for holding digital assets. Strict KYC and AML standards ensure that the provenance of all cryptocurrency in custody has been vetted.

What are the Risks of Investing in BTCE?

- Like equities, an investor's capital is fully at risk and you may not get back the amount originally invested.
- Exchange rate fluctuations can also have both a positive and negative effect on returns.
- Past performance of bitcoin is no guarantee of future performance.
- The product may not be a suitable investment for all investors and each investor should determine the suitability of its investment in light of their own circumstances.
- For a full, list of risks associated with the BTCE product, please consult the prospectus.

Are there any Disadvantages to BTCE over Regular Bitcoin?

Bitcoin can be used to pay for goods and services electronically around the world. BTCE cannot be used to pay for goods and services as it is an investment tool, unless the ETC is redeemed for physical bitcoin.

What is the Price Source used in the ETC?

No price source is needed as each unit of BTCE represents precisely 0.001 bitcoin (at issuance date and before fees)

Where is the Bitcoin Custodied?

The issuer, ETC Issuance GmbH, stores all bitcoin at BitGo Trust Company, a leader in digital assets safe custody. Deposits are insured by Lloyds of London against hacking and white-collar crime up to the value of $100 million. BitGo is a regulated trust and all bitcoin is stored air-gapped in cold storage in their vaults.

How is Liquidity Guaranteed?

The issuer has partnered with world-class liquidity providers (LPs) and authorised participants (APs) to ensure that ample liquidity is available on exchange (secondary market) and that investors can additionally create or redeem units of BTCE on the primary market as well.

How Is the ETC Regulated?

BTCE is a regulated financial instrument under MiFID II and is regulated in each jurisdiction where it is traded - for example in Germany it trades on Deutsche Boerse's XETRA exchange and regulated by BaFin (German Federal Financial Supervisory Authority). Bitcoin itself remains mostly unregulated in most jurisdictions.

What Oversight and Governance is Embedded in BTCE?

BTCE has been engineered with the security of the bondholder in mind. When units of BTCE are created, the equivalence in bitcoin is stored at a secure, regulated and insured custodian. Any transactions related to the creation and redemption processes are verified by an independent administrator. The administrator can only be replaced with the approval of the trustee. The trustee holds security interest over the assets in custody and in the highly unlikely case of Issuer default, would step in to make sure bondholder obligations are settled in a timely and orderly fashion.

Trading

How do I buy the BTCE?

BTCE can be purchased with fiat currency (e.g. Euro) on regulated stock exchange such as XETRA in Germany through your broker. Investors can also contact one of the Authorised Participants directly to purchase BTCE with bitcoin via Creation mechanisms.

How do I Trade BTCE?

You can buy and sell BTCE on exchange through your regular brokerage account.

Can I Convert my Bitcoin into BTCE?

Yes, via the network of Authorised Participants. Size restrictions apply to the amount of bitcoin required. Investors would need to open an account with one of the APs and would need to have undergone KYC/AML on the legal entity investing and on the bitcoin itself.

Is there a Minimum Investment?

To purchase BTCE on exchange through your broker, you would need to buy a minimum of 1 unit of BTCE which equates in value to a predefined amount of a bitcoin. For purchasing BTCE using bitcoin via an Authorised Participant, a minimum fee may apply.

What Exchanges does BTCE Trade On?

BTCE is currently listed on Deutsche Börse's electronic trading system XETRA and SIX and it has been passported for sale to several European countries.

BTCE Product Details

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
Deutsche Boerse Xetra	BTCE GY	BTCE.DE	DE000A27Z304	-	BMWSLR9	EUR	2.00%
SIX Swiss Exchange	BTCEUSD SW	BTCEUSD.S	DE000A27Z304	55503260	BLB3S55	USD	2.00%
SIX Swiss Exchange	BTCEGBP SW	BTCEGBP.S	DE000A27Z304	55503260	BLB3S66	GBP	2.00%
SIX Swiss Exchange	BTCECHF SW	BTCECHF.S	DE000A27Z304	55503260	BLB3S77	CHF	2.00%

What are the fees?

The commission fee for trading is the fee charged by your broker or bank. The yearly management fee of BTCE is 2%.

How is the yearly management fee calculated?

The management fee is charged from the value (cryptocurrency entitlement) of the BTCE bond every day. This means that the value (assuming the prices of bitcoin and Euro are unchanged) decreases by 0.02/365 = 0,005479% (0,00005479) per day. If you keep the bonds for one year, the theoretical value has decreased by 2% excluding changes in the price of bitcoin or Euro.

About the Issuer

Who Are ETC Group?

United within ETC Group is one of the world's largest electronic market makers, two London-based FCA-regulated brokers and a team of experienced financial services professionals all bringing network and know-how to this, the first of its range of innovative cryptocurrency exchange traded products.

What does ETC stand for?

In the traditional sense, ETC stands for "exchange traded commodity". We believe in the future of digital assets, and hence branded our venture under the ETC Group brand, in our case the definition ETC reimagining the traditional acronym and turning it into "exchange traded cryptocurrency".

About HANetf

ETC Group has partnered with HANetf to market and distribute BTCE in Europe.

HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

About BTCE

BTCetc Bitcoin Exchange Traded Crypto (Ticker: BTCE) is an exchange traded cryptocurrency that tracks the price of bitcoin. BTCE is 100% physically backed by bitcoin and trades on Deutsche Börse´s XETRA. It was the world's first centrally cleared Bitcoin ETC, providing investors with a safe, transparent and liquid way to gain exposure to bitcoin. Each unit of BTCE gives the holder a claim on a predefined amount of bitcoin. BTCE is issued by ETC Group and marketed and distributed by HANetf.

The value of your investment may go down as well as up and past performance is no indication of future performance. Your capital is at risk.

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3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and the final terms ("Cryptocurrency Prospectus") is the issuer of the ETCM ETCs. Investors should read the latest version of the Cryptocurrency Prospectus before investing and should refer to the section of the Cryptocurrency Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETCs contained in the Cryptocurrency Prospectus. Any decision to invest should be based on the information contained in the Cryptocurrency Prospectus.

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