Digital Download For Advisors

Bitcoin's legitimacy as an asset has never been higher due to the recent shift in traditional institutions' stance. The most noteworthy is BlackRock entering the competition for bitcoin ETF approval.

In a recent interview, Larry Fink described bitcoin as "an international asset—it's not based on any one currency—so it can represent an asset that people can play as an alternative." This is a notable about-face for Mr. Fink compared to his 2017 comments calling bitcoin "an index of money laundering," highlighting the path of bitcoin that only has one direction to move – towards acceptance. The implications of the transition from skeptic to builder in the digital asset space cannot be understated.

Eaglebrook Advisors provides direct ownership in this maturing asset class within a secure and unified ecosystem.

Bitcoin – Why Now?

Eaglebrook believes that now is the optimal time for advisors to begin their journey to understand the investment thesis for bitcoin, ways to securely invest in bitcoin, and build a level of expertise to guide their clients.

The risk/reward analysis is now in favor of advisors having a bitcoin plan and of the long-term success of bitcoin. Bitcoin has undergone test after test and demonstrated to be a resilient emerging asset as investors in bitcoin remain steadfast. The narrative is shifting around bitcoin, with traditional institutions more than ever participating in the adoption of bitcoin.

Read why now is the right time to prepare for the future by implementing a bitcoin and digital assets strategy.

News

What an SEC Proposal Means for RIAs in Crypto

In February 2023, the SEC proposed changes to the "Custody Rule." The Rule, an essential protection in U.S. financial services regulation for decades, requires RIAs to safeguard client funds and securities with a qualified custodian.

The recent proposal would broaden the current scope of the Custody Rule by requiring RIAs to safeguard all client assets — including digital assets — with a qualified custodian.

In choosing a qualified custodian, bankruptcy protections are key. Bankruptcy-remote custody solutions — like Anchorage Digital Bank, a federally chartered bank — would still meet the SEC definition of a qualified custodian. The analysis is more nuanced with concerning state-chartered trusts, which may vary widely in compliance standards, bankruptcy protections, and key storage safety.
Read Full Story...

Eaglebrook's Take: Regulation of the crypto industry should help drive adoption from traditional asset allocators. Advisors can securely and compliantly manage their clients' digital assets by partnering with a qualified custodian.

Investor survey confirms staying power of crypto among institutions

A year removed from shocks to the crypto ecosystem, institutional investors are committed to crypto, actively investing in the space, and optimistic about the future, according to a new Institutional Investor survey commissioned by Coinbase.
Read Full Report...

Eaglebrook's Take: The level of acceptance of bitcoin and digital assets continues to rise. Bitcoin adoption continues propelled by the potential spot bitcoin ETF and further institutional participation.

Bitcoin Supply Inactive for a Year Hits Record High of 70%

The percentage of Bitcoin's (BTC) circulating supply that was last active on-chain at least a year ago has reached a record high of 70.35%, surpassing the previous peak of 69.35% in July, according to data tracked by blockchain analytics firm Glassnode. Read Full Report...

Eaglebrook's Take: As an emerging store of value, bitcoin holders should demonstrate a penchant to hold bitcoin for the long term. Despite the volatility, regulatory headwinds, and concern about bitcoin's viability, bitcoin holders are here to stay, buoyed by the belief in the underlying characteristics of bitcoin.

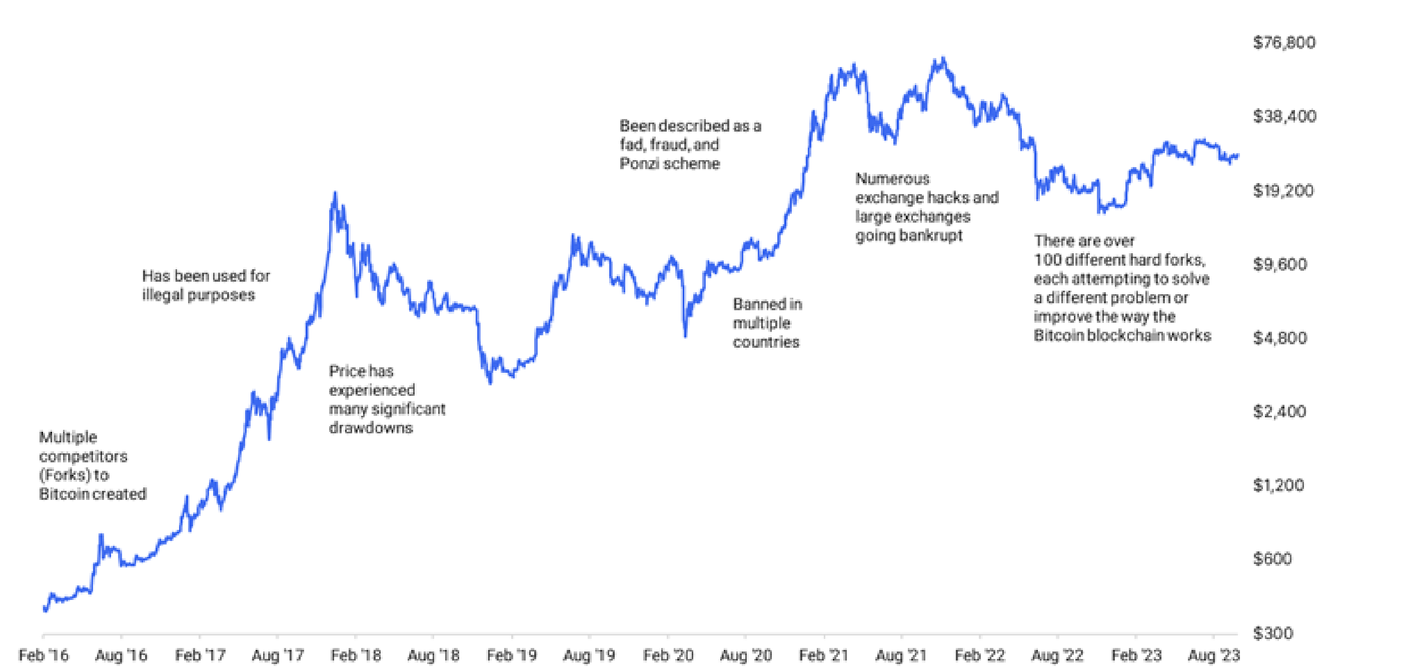
Bitcoin – The Lindy Effect

The Lindy Effect suggests that the future life expectancy of non-perishable things, like ideas, technologies, or cultural practices, is directly proportional to their current age. In other words, the longer something has been around and survived without becoming obsolete or irrelevant, the longer it is expected to continue. A prime example is a book that has been in print for 100 years; it is likely to remain in print for another 100 years (compared to a book printed last year), as its existence for a century suggests that it contains an enduring value.

Bitcoin demonstrates this enduring value each time it faces a “crisis” and comes out the other side with a price above zero, continued adoption of new bitcoin holders, and growing support from traditional financial institutions.

What is seen as a weakness, large exchanges collapsing, bans by multiple countries, and significant drawdowns in price are strengthening the resilience of bitcoin as a network and an asset. As an emerging asset, bitcoin has been battle-tested and made more robust.

What Doesn’t Kill You: Bitcoin Price
Source: Bloomberg, Eaglebrook Advisors



DISCLOSURES

Investment advisory and management services are provided by Eaglebrook Advisors, Inc., a registered investment advisor. Information presented is for educational purposes only and should not be construed as providing investment advice. Past performance is no indication of future results. Investing in digital currency comes with significant risk of loss that a client should be prepared to bear, including, but not limited to, volatile market price swings or flash crashes, market manipulation, economic, regulatory, technical, and cybersecurity risks. In addition, digital currency markets and exchanges are not regulated with the same controls or customer protections available in equity, option, futures, or foreign exchange investing. Eaglebrook does not offer tax advice. Neither consultations nor information published by Eaglebrook should be construed as offering or providing tax advice. Volatility Risk: Digital currency is a speculative and volatile investment asset. Investors should be prepared for volatile market swings and prolonged bear markets. Digital currency can have higher volatility than other traditional investments such as stocks and bonds and market movements can be difficult to predict.

Economic Risk: The economic risk associated with digital currency is in the lack of widespread or continuing digital currency adoption. The market and investors could decide that digital currency should not be valued at the current market capitalization due to a variety of factors.

Regulatory Risk: Digital currency could be banned or highly regulated by governments that would deter investors from buying or holding digital currency.

Technical Risk: Digital currency is a dynamic network with a codebase that is updated to add new security and functionality features. The updated code that is merged by the core developers could potentially have an error that threatens the security or functionality of the digital currency network.

Cybersecurity Risk: Digital currency exchanges and wallets have been hacked and digital currency has been stolen in the past. This is a potential risk that clients must be comfortable with when investing and holding digital currency. Theft is less likely when holding digital currency at a qualified custodian in offline systems (cold storage) with institutional security and controls.

Digital Asset Service Providers: Several companies and financial institutions provide services related to the buying, selling, payment processing and storing of virtual currency (i.e., banks, accountants, exchanges, digital wallet providers, and payment processors). However, there is no assurance that the virtual currency market, or the service providers necessary to accommodate it, will continue to support Digital Assets, continue in existence or grow. Further, there is no assurance that the availability of and access to virtual currency service providers will not be negatively affected by government regulation or supply and demand of Digital Assets. Accordingly, companies or financial institutions that currently support virtual currency may not do so in the future.

Custody of Digital Assets: Under the Advisers Act, SEC registered investment advisers are required to hold securities with “qualified custodians,” among other requirements. Certain Digital Assets may be deemed to be securities. Currently, many of the companies providing Digital Assets custodial services fall outside of the SEC’s definition of “qualified custodian”, and many long-standing, prominent qualified custodians do not provide custodial services for Digital Assets or otherwise provide such services only with respect to a limited number of actively traded Digital Assets. Accordingly, clients may use nonqualified custodians to hold all or a portion of their Digital Assets.

Government Oversight of Digital Assets: The regulatory schemes - both foreign and domestic - possibly affecting Digital Assets or a Digital Asset network may not be fully developed and subject to change. It is possible that any jurisdiction may, in the near or distant future, adopt laws, regulations, policies or rules directly or indirectly affecting a Digital Asset network, generally, or restricting the right to acquire, own, hold, sell, convert, trade, or use Digital Assets, or to exchange Digital Assets for either fiat currency or other virtual currency. It is also possible that government authorities may take direct or indirect investigative or prosecutorial action related to, among other things, the use, ownership, or transfer of Digital Assets, resulting in a change to its value or to the development of a Digital Asset.

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