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## Ethereum ETFs Review: Will Spot Ethereum ETF Get Approval This Year?

Original:

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On January 10, 2024, the U.S. Securities and Exchange Commission (SEC) approved 11 spot Bitcoin exchange-traded funds (ETFs), sparking hot discussion about whether spot Ethereum ETF would be approved. Some traders have already started preparing for the arrival of the Ethereum ETF.

On May 21, the U.S. Securities and Exchange Commission (SEC) required exchanges to update their spot Ethereum exchange-traded fund (ETF) filings, indicating potential progress toward spot Ethereum ETF approvals. After the news, analysts saw a 75% chance of spot Ethereum ETF approval.

So, what are Ethereum ETFs? What is the latest progress of the Ethereum Spot ETF? Is it likely to be approved this year? Next, let's take a close look at Ethereum ETFs from the following aspects:

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**What are Ethereum ETFs?**



An Ethereum ETF is a financial product designed to track the price of Ethereum, enabling investors to buy and sell shares on traditional stock exchanges. It is worth mentioning that Ethereum is the second largest cryptocurrency after Bitcoin (BTC) and the native token of the Ethereum blockchain.

Ethereum ETFs operate within the regulatory framework of traditional financial markets, providing investors with a regulated and secure channel to engage in cryptocurrency investments. This regulatory oversight enhances investor confidence and ensures compliance with established financial standards.

Ethereum ETFs offer many benefits, like accessibility, regulatory oversight, ease of trading, and the ability to diversify investment portfolios. Trading on major stock exchanges, Ethereum ETFs provide liquidity and simplicity for investors who may be new to cryptocurrency markets.

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## Ethereum ETF VS. Bitcoin ETF

Ethereum ETFs and the Bitcoin ETFs share several similarities. Both types of ETFs track the price of their respective cryptocurrencies through futures contracts, and they provide investors with convenient exposure to cryptocurrencies without having to hold digital assets directly. However, there are some key differences between the two types of ETFs.

Here's a comparison of the Ethereum ETF and the Bitcoin ETF:

**Benchmark asset:** Ethereum ETFs track the price of Ethereum (ETH), while the Bitcoin ETFs track

the price of Bitcoin (BTC).

Launch time: the first Ethereum ETF was launched on October 2, 2023, while BITO, the first Bitcoin ETF, debuted on October 19, 2021.

**Trading volume:** Since the Ethereum ETFs are relatively new to the market, its trading volume is low compared to the larger Bitcoin ETFs.

**Fees:** fees for both types of crypto ETFs are relatively high, as the expense ratios for both are typically around 0.65% to 0.95%.

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## What is Spot Ethereum ETF?

A spot Ethereum ETF is an ETF that tracks the spot price of Ethereum, which could make it easier for investors to invest in Ethereum and also help further legitimize Ethereum as a recognized asset.

In addition, the existing ETH futures ETF makes understanding the investment product more complicated by tracking futures. They track the price of Ethereum futures contracts, instead of the price of Ethereum itself.

There are many potential benefits to investing in Ethereum through spot ETF products, including:

**Expanding investment base:** Ethereum ETFs may make it easier for investors, especially those unfamiliar with cryptocurrencies and futures contracts, to invest in Ethereum.

**Reducing volatility:** Ethereum is a volatile asset, but an Ethereum ETF can help reduce volatility by pooling investor funds and investing in a basket of Ethereum futures contracts.

**Increasing liquidity:** Ethereum ETFs help increase liquidity in the Ethereum market, making it easier for investors to buy and sell Ethereum.

**Institutional adoption:** Ethereum ETFs help attract institutional investors to invest in Ethereum, resulting in increased demand and higher prices.

However, at present, SEC has not approved the spot Ethereum ETF. However, analysts believe that after the approval of Bitcoin spot ETFs, the SEC will consider the possibility of approval of spot Ethereum ETF.

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## Will Spot Ethereum ETF Get Approval This Year?

Bloomberg ETF analyst Eric Balchunas said that with the SEC passing the Bitcoin Spot ETF application, the path is now clear for the Ethereum Spot ETFs to be approved in 2024.

Balchunas believes there is a 70% chance that the Ethereum spot ETFs will be approved in May, when SEC has to make a final decision on multiple applications. Balchunas previously said he could not see a situation where the Bitcoin ETFs were approved but Ethereum ETFs were not. He compared the two cryptocurrencies, saying that “spot Ethereum is closely related to spot Bitcoin.”

Also, before the approval of spot Bitcoin ETFs by SEC, Chief Investment Officer Steven McClurg at Valkyrie Funds said he wouldn't be surprised if the spot Ethereum ETF came to market after Bitcoin.

Currently, several major asset managers, including BlackRock, VanEck, ARK Invest & 21Shares, Fidelity and Invesco Galaxy, have filed applications for spot Ethereum ETF. The SEC must make a decision on the applications by various dates between May 23 and August 7.

If SEC deems the ETF viable, it may approve all applicants in the same way it approved the spot Bitcoin ETFs.

SEC has long been an opponent of cryptocurrencies, though, and the approval of spot Bitcoin ETFs hasn't changed its stance much. After making decision, SEC Chairman Gensler issued a statement calling bitcoin "speculative" and saying it could be used for "illegal" purposes. This complicates the case for ETH ETF approval.

While the market is widely expecting the spot Ethereum ETF to pass in 2024, there are quite a few people who are skeptical that the SEC will approve the ETH ETFs in the short term.

Anthony Scaramucci, founder of SkyBridge Capital, said, "frankly, as long as Gensler is in place, the ETH ETF is less likely to get approved, but I do think it's likely eventually."

The CEO of Morgan Creek Capital also said there is less than a 50% chance that an Ethereum spot ETF will be approved in the United States in 2024. Yusko said that in addition to Gensler's hostility to cryptocurrencies, another obstacle is that the SEC may still treat Ethereum as a security, unlike Bitcoin, which is considered a commodity.

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## **Latest News & Updates on Spot Ethereum ETF**

In the early hours of May 21, Bloomberg analysts Eric Balchunas and James Seyffart increased their odds of spot Ether ETF approval to 75% (up from 25%). Following the news, the Ethereum cryptocurrency Ether (ETH) experienced a sharp price rally and briefly hit a high of \$3,691.

Coinbase analyst David Han also believes that although the market generally believes that the US authorities will not release the approval in the short term, the possibility of obtaining the approval of the ether spot ETF is still underestimated.

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However, analyst James Seyffart added that this is for the May 23 deadline of 19b-4 (VanEck's deadline). We also need approval from S-1. It may take weeks to months before we see S-1 approval and the actual Ethereum ETF goes online.

The key moment for whether the US Securities and Exchange Commission (SEC) will approve the Ethereum spot ETF is coming this week (May 23), when the SEC needs to make a final decision on the application of VanEck and Ark/ 21Shares (respectively on May 23 and May 24). The final decision on Grayscale will be made on May 30.

## What is the Influence of Spot Ethereum ETF Approval on ETC Price?

The approval of the Spot Ethereum ETF is expected to have a positive impact on Ethereum prices. This is because this ETF will create a simpler mechanism for investors to gain exposure to Ethereum. We could see new investors opening Ethereum positions through the Spot Ethereum ETF.

Ethereum may rally more than 75% if an exchange traded fund investing directly in the crypto is approved, according to AllianceBernstein.

“Given the sustained demand inflow seen by Bitcoin, leading to 75% rally since the ETF approval, we would expect similar price action for ETH,” analysts at AllianceBernstein led by Gautam Chhugani wrote in a Tuesday note.

Ethereum jumped 7.6% on May 21 to around \$3,772, with a 65.6% year-to-date gain, according to Dow Jones Market Data. On the same day, Bitcoin (BTCUSD) edged up 0.7% to \$70,570, up 68.8% so far this year.

If approved, the emergence of ether ETFs could boost ether’s price, especially with the crypto’s supply and demand dynamic even more attractive than bitcoin, noted the analysts at AllianceBernstein.

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