Bitwise Launches Dual Crypto ETF: Bitcoin and Ethereum Combined in Single Fund

Filing Information

- **Company:** Bitwise Bitcoin Ethereum Etf
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- **Filing Type:** S-1/A
- **Amended Filing:** Yes
- **Filing Date:** June 26, 2025
- **State of Incorporation:** DE
- **Industry (SIC):**
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Executive Summary

Bitwise Asset Management has filed an amended S-1 registration statement for the innovative **Bitwise Bitcoin & Ethereum ETF** ("the Trust"), signaling a major step forward in the crypto investment landscape. This filing unveils the framework for a groundbreaking exchange-traded fund that aims to deliver investors seamless, passively managed access to the two leading cryptocurrencies, bitcoin (BTC) and ether (ETH), within a single vehicle.

This proposed product represents a significant evolution from the single-asset spot crypto ETFs, offering a simplified vehicle for exposure to the two largest digital assets in a single, publicly-traded security. The Trust's allocation strategy is designed to approximate the relative market capitalizations of bitcoin and ether.

Key structural features include its classification as a **grantor trust** for U.S. tax purposes, a unitary fee structure, and a clear operational framework for custody and trading that leverages established institutional partners. Notably, the filing explicitly states that the Trust **will not engage in staking its ether holdings**, a critical detail that distinguishes it from potential yield-generating crypto products and simplifies its regulatory and tax profile. The success of this product is contingent on regulatory approval and its ability to attract sufficient assets and liquidity in a potentially competitive market.

Product Overview

- **Fund Name:** Bitwise Bitcoin & Ethereum ETF
- **Sponsor:** Bitwise Investment Advisers, LLC
- **Investment Objective:** To provide exposure to the value of bitcoin and ether held by the Trust, less expenses.
- **Underlying Assets:** The Trust will hold only bitcoin and ether.
- **Allocation Strategy:** Passively managed. The Trust's allocation will approximate the relative market capitalizations of bitcoin and ether. Due to its grantor trust structure, the Sponsor has limited ability to actively rebalance the portfolio.
- **Benchmark for Valuation:**

    - **Bitcoin:** CME CF Bitcoin – New York Variant
    - **Ether:** CME CF Ether – Dollar Reference Rate – New York Variant
- **Fee Structure:** A unitary management fee of **0.__% per annum** (exact figure pending). This fee covers most ordinary operating expenses, including custody, administration, and marketing. Extraordinary expenses will be borne by the Trust.
- **Listing:** Proposed to be listed on NYSE Arca, Inc. (ticker symbol to be determined).

Operational Framework

The filing details a robust operational plan designed to address the unique challenges of a crypto-based ETF.

- **Custody of Digital Assets:**

    - **Custodian:** Coinbase Custody Trust Company, LLC will serve as the Bitcoin and Ether Custodian.
    - **Security:** Assets will be held in segregated accounts, separate from Coinbase's corporate assets and other client funds. The filing emphasizes the use of "cold storage" (offline) to secure a substantial portion of the private keys, minimizing exposure to online threats.
    - **Insurance:** The Custodian's parent company, Coinbase Global, Inc., maintains a shared commercial crime insurance policy of up to $320 million. The filing clearly states that the Trust's assets are **not protected by FDIC or SIPC insurance**.

- **Trading and Execution:** The Trust will use a dual-model approach for purchasing and selling crypto assets, primarily for cash creations/redemptions and expense payments.

    1. **Trust-Directed Trade Model (Primary):** The Sponsor will execute trades on an over-the-counter (OTC) basis with a pre-vetted list of institutional Digital Asset Trading Counterparties.
    2. **Agent Execution Model (Contingency):** In the event the primary model is unavailable, the Trust will utilize **Coinbase, Inc.** as its Prime Execution Agent. This may involve the use of short-term Trade Credits to ensure timely settlement.

- **Creation and Redemption Mechanism:**

    - Shares will be created and redeemed in "Baskets" of 10,000.
    - The process is open to Authorized Participants (APs) only.
    - The Trust is structured to support both **in-kind** (delivery of BTC and ETH) and **cash** creations and redemptions, providing flexibility for APs and enhancing the arbitrage mechanism intended to keep the share price aligned with the NAV.

Key Parties and Service Providers

- **Sponsor:** Bitwise Investment Advisers, LLC
- **Trustee:** Delaware Trust Company
- **Administrator, Transfer Agent, and Cash Custodian:** The Bank of New York Mellon
- **Bitcoin and Ether Custodian:** Coinbase Custody Trust Company, LLC
- **Prime Execution Agent:** Coinbase, Inc.
- **Marketing Agent:** Foreside Fund Services, LLC

This roster of established, institutional-grade service providers is intended to build investor confidence and ensure operational stability.

Risk Analysis

The filing presents a comprehensive and candid assessment of the risks involved. Key risks are categorized as follows:

- **Market and Volatility Risk:** Bitcoin and ether are described as speculative assets with a history of extreme price volatility. The filing warns that investors could lose their entire investment. The Trust's concentration in just two highly correlated assets exacerbates this risk.
- **Regulatory and Legal Risk:** This is a paramount concern. The regulatory environment for digital assets in the U.S. and globally remains uncertain. Any future determination by the SEC or other bodies that bitcoin or ether are "securities" could have a material adverse effect on the Trust. Increased regulation could also raise compliance costs or restrict operations.
- **Operational and Custodial Risk:**
  - The filing highlights the irreversible nature of blockchain transactions and the catastrophic risk of losing private keys.
  - It acknowledges the Trust's dependence on Coinbase for custody and brokerage, noting that a failure or security breach at Coinbase could result in a significant loss of assets.
  - The limitations of Coinbase's liability and shared insurance policy are clearly disclosed.
- **Blockchain-Specific Risk:**
  - The filing details risks inherent to the Bitcoin and Ethereum networks, such as software forks, 51% attacks, and network congestion.
  - **Disclaimer of Forks/Airdrops:** The Trust explicitly disclaims any rights to assets created from forks or airdrops ("Incidental Rights" and "IR Assets"). This means shareholders will not participate in the potential upside from such events, a key difference from holding the assets directly.

Tax and Legal Structure

- **Grantor Trust:** The Trust's classification as a grantor trust is a central feature. This structure provides for pass-through tax treatment, meaning the Trust itself is not taxed.
- **Shareholder Tax Liability:** Investors will be taxed as if they directly own the underlying bitcoin and ether. Consequently, any sale of assets by the Trust to pay its Sponsor Fee or facilitate cash redemptions constitutes a **taxable event for shareholders**, who will be allocated a pro-rata share of the capital gains or losses. Shareholders must be prepared to cover these tax liabilities from external funds, as the Trust does not plan to make regular distributions.

Conclusion and Outlook

The S-1/A filing for the Bitwise Bitcoin & Ethereum ETF marks a significant step toward providing U.S. investors with a regulated, accessible, and diversified (within the crypto asset class) investment vehicle. By combining the two leading digital assets into a single wrapper, the product aims to simplify portfolio allocation for investors bullish on the broader crypto ecosystem.

The operational architecture, relying on established financial institutions like BNY Mellon and crypto-native leaders like Coinbase, is designed to meet regulatory scrutiny and ensure institutional-grade security. The decision to forego ether staking is a conservative one, likely aimed at avoiding the complexities and regulatory risks associated with yield-bearing crypto products.

The ultimate success of the Trust hinges on SEC approval. The extensive risk disclosures and detailed operational plans indicate that the Sponsor is proactively addressing potential regulatory concerns. If approved, the Bitwise Bitcoin & Ethereum ETF would likely face competition from other potential multi-asset crypto funds but would benefit from being an early and innovative entrant in this new category of investment products.