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How Bitcoin Made a Believer Out of BlackRock

CEO Larry Fink's U-turn illustrates Wall Street's growing desire to capitalize on a market long considered the Wild West of finance

By [Vicky Ge Huang](#) [Follow](#)

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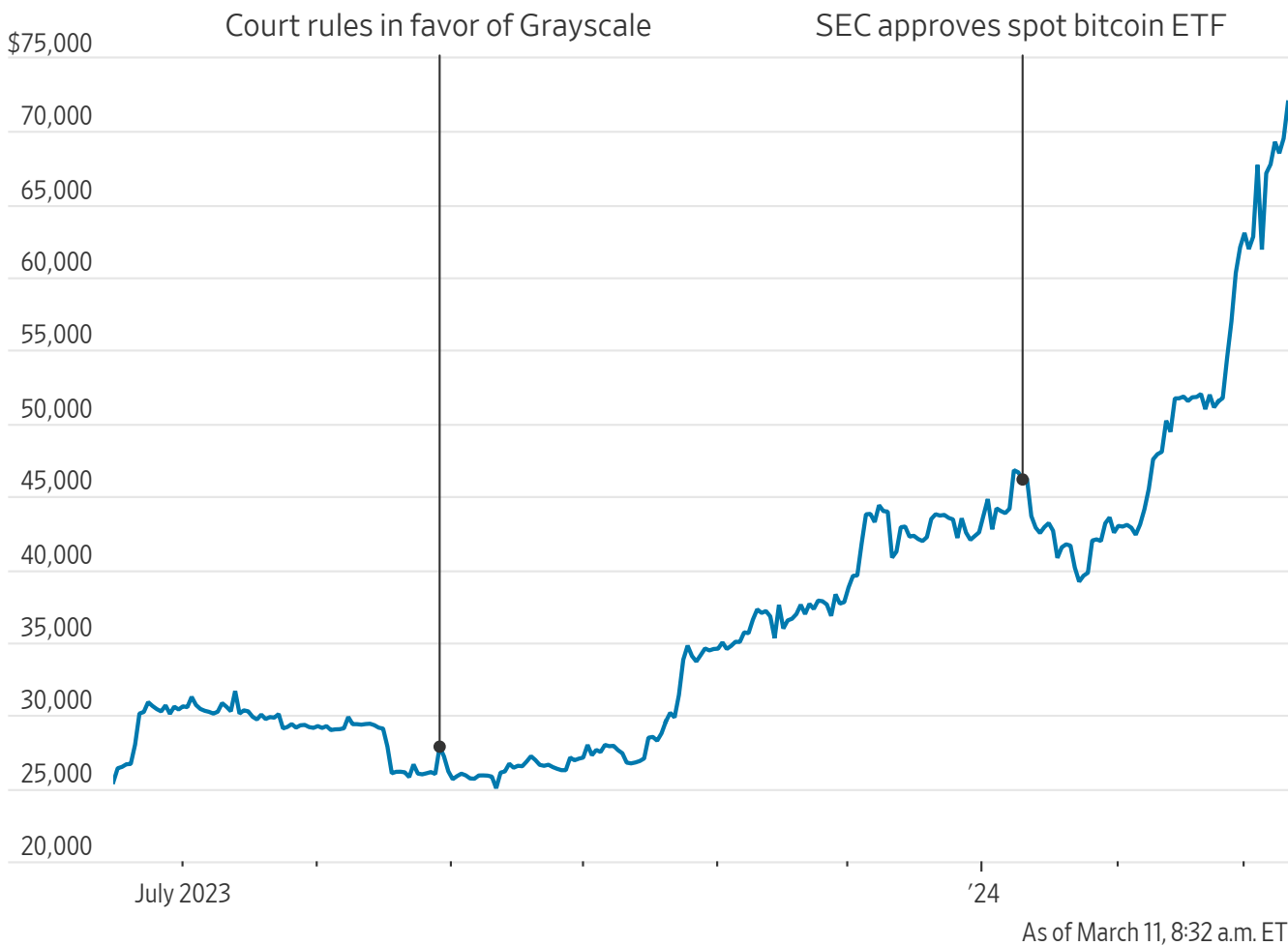
One of crypto's erstwhile doubters is helping to take bitcoin mainstream.

Larry Fink, the chief executive officer of BlackRock [BLK 0.53% ▲](#), called bitcoin “an index of money laundering” back in 2017 and later rebuffed cryptocurrencies as something his clients weren't looking to buy. Today, he says he is a big believer in bitcoin. His firm manages the fastest-growing bitcoin fund and has forged partnerships with some of the largest players in the digital-assets industry.

The U-turn Fink is making at BlackRock has lent legitimacy to bitcoin and signals Wall Street's growing desire to capitalize on a market that has long been considered the Wild West of finance. By selling bitcoin in a low-cost and popular exchange-traded fund, BlackRock opened the door for mainstream investors to buy and sell bitcoin as easily as stocks.

“We view a core part of our mission as providing choice and access,” Rob Goldstein, BlackRock's chief operating officer, said in an interview. “This is an important topic for our clients.”

Bitcoin price performance, since BlackRock filed for spot bitcoin ETF



Source: CoinDesk

Bitcoin's resilience played a hand in that decision, too. The token's short history has been dotted with crashes. Yet after each bust, another boom cycle began that attracted more investors. Today, Bitcoin prices are back at record levels and flirting with \$70,000, a run that seemed improbable 16 months ago, when the crypto exchange FTX collapsed in spectacular fashion. Bitcoin prices were hovering near \$16,000 at that time.

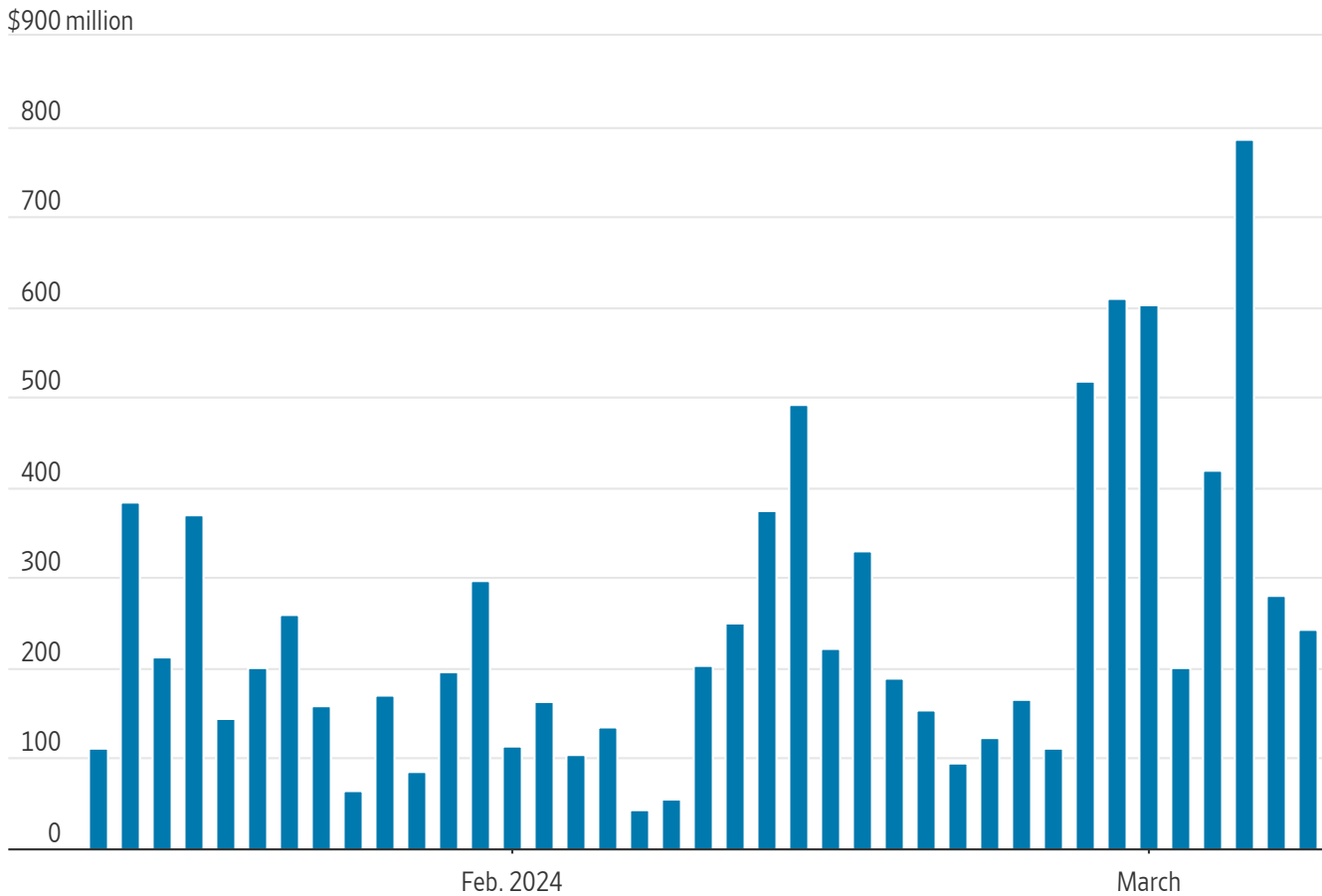
Industry critics said they are surprised by BlackRock's embrace of crypto in light of the reputational risk the company faces in offering its clients exposure to such a volatile asset.

John Reed Stark, former chief of the Securities and Exchange Commission's Office of Internet Enforcement, said it is obvious that companies such as BlackRock are in the game for the fees.

"The irony is transparent and glaring in that it's supposed to be decentralized, yet what is more decentralized than a Wall Street behemoth who is taking fees from every single

possible angle and peddling something that nobody understands,” he said.

iShares Bitcoin Trust daily flows since launch



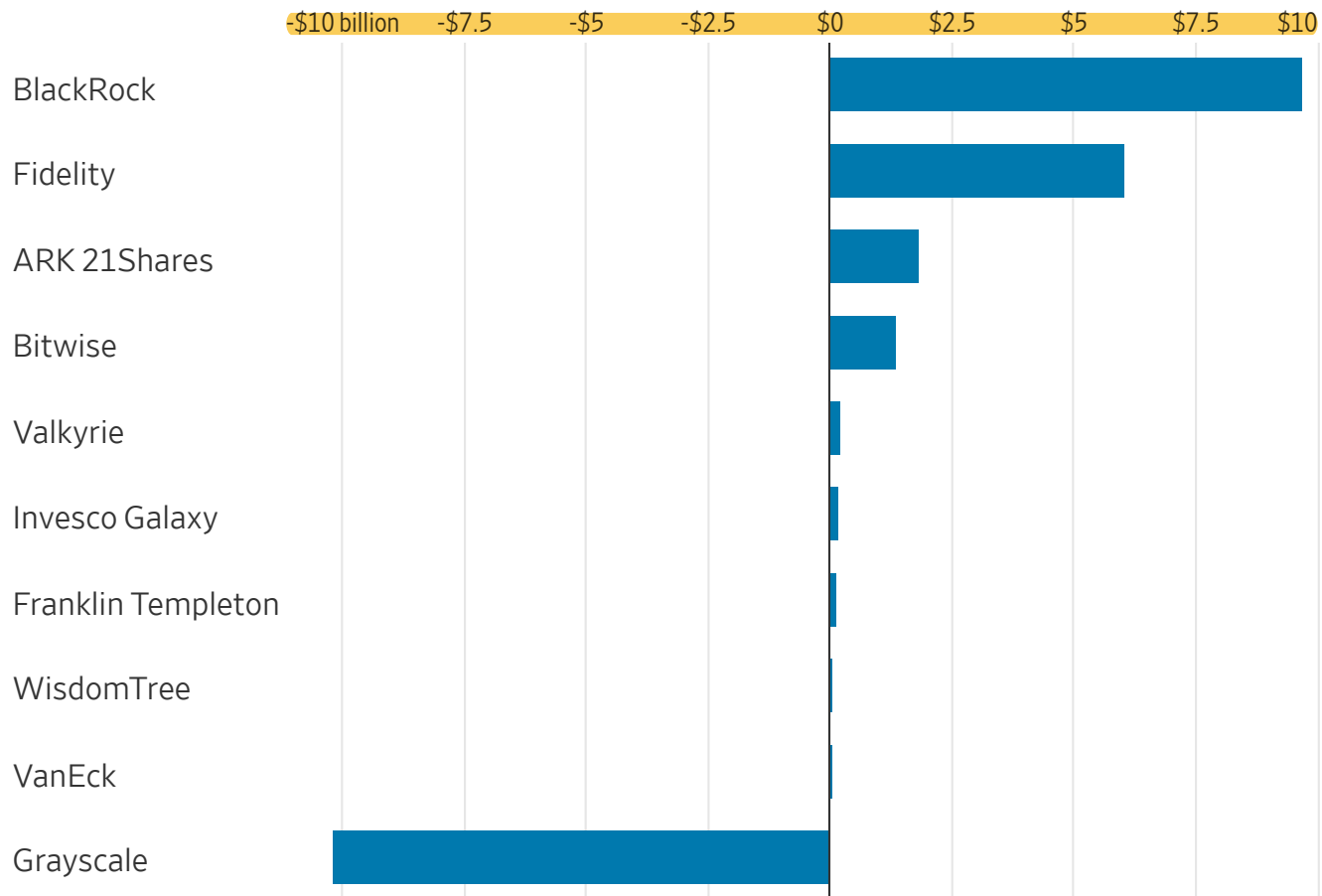
Note: Data as of March 8

Source: FactSet

BlackRock currently earns an average fee of about 0.19% on assets in its bitcoin ETF. The fund has already hit its fee waiver threshold, which specifies that investors pay 0.12% for the first \$5 billion in assets or the first year of the fund’s launch. After the first year, the fee will rise to 0.25%.

BlackRock maintains that it studied the crypto industry for years to come up with a digital-assets strategy and is giving its customers what they want. And bitcoin’s rebound following the 2022 crypto meltdown gave BlackRock conviction to stick to that strategy, according to people familiar with the matter.

Spot bitcoin ETF net inflows



Note: Data as of March 8

Source: FactSet

BlackRock deserves some of the credit for the latest leg of the rally in bitcoin. Of the nine ETFs holding bitcoin that launched in January, its iShares Bitcoin Trust is leading the pack in net inflows. In fact, the ETF is the fastest ever to draw more than \$10 billion in assets.

Many mainstream investors began loading up on bitcoin in June when BlackRock entered the race to launch the first fund because of the asset manager's near-perfect record with ETF applications. A court ruling that forced the SEC to reconsider a competitor's application added fuel to the fire.

Dennis Kelleher, president and CEO of Better Markets, a group that advocates for oversight of the financial sector, said it is no surprise that BlackRock is quickly becoming a market leader in bitcoin.

“BlackRock has an unmatched market penetration with a peerless distribution network and a marketing powerhouse,” he said. **“All of these attributes provide Main Street**

investors with false comfort.”

BlackRock is taking a view on crypto that is drastically different from that of Vanguard, its biggest rival. Founded by the legendary investor Jack Bogle, Vanguard has said it has no plans to create a spot bitcoin ETF and won't offer crypto-related products on its brokerage platform. The asset manager, which oversees \$8.7 trillion in assets, called bitcoin “more of a speculation than an investment” in a recent blog post.



BlackRock says its digital-assets strategy is based on years of study. PHOTO: JIMIN KIM/SOPA IMAGES/ZUMA PRESS

Beyond the bitcoin ETF, BlackRock has developed partnerships with some of crypto's biggest players. It holds a minority stake in the stablecoin company Circle Internet Financial and manages more than \$25 billion in reserves backing Circle's USD Coin in a government money-market fund.

BlackRock also teamed up with the crypto exchange Coinbase Global to provide users of the asset manager's Aladdin software platform with direct access to crypto through an integration with Coinbase's institutional arm, and BlackRock manages a private bitcoin trust for professional clients. The majority of the clients in the trust, which had grown to more than \$250 million in assets, have since moved their money to the new ETF, according to people familiar with the matter.

BlackRock's embrace of bitcoin was gradual. During the pandemic, Rick Rieder, the firm's chief investment officer of global fixed income, started dabbling in bitcoin futures in his

funds. Robbie Mitchnick, BlackRock's head of digital assets, also helped convert Fink into a bitcoin believer, according to people familiar with the matter.

2022 was the year that Fink's stance on digital assets began to change visibly.

On an April conference call that year, he said his firm was studying the crypto sector broadly and seeing increased interest from clients. That same month, BlackRock invested in Circle's \$400 million funding round, and by the summer BlackRock had quietly launched the private trust—its first-ever spot bitcoin product for U.S. institutional clients. The company seeded the fund with its own money and expanded it with outside investors.

That year, BlackRock also unveiled a partnership with Coinbase to allow institutional clients who own bitcoin on the crypto exchange to use Aladdin, its suite of software tools, to manage their portfolios and conduct risk analysis. BlackRock now uses Coinbase as a custodian for its spot bitcoin ETF.

BlackRock's crypto ambitions today extend beyond bitcoin. The asset manager has a pending application with the SEC to launch an ETF holding ether, the second-largest cryptocurrency after bitcoin and the in-house token on the Ethereum blockchain. The regulator has a May deadline to act on several such applications.

Write to Vicky Ge Huang at vicky.huang@wsj.com

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