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Bitcoin-Backed Bonds: A New Era for Municipal Financing and Fintech Innovation

New Hampshire is doing something that no other state has done before. They've given the green light to a Bitcoin-backed municipal bond, which is a first for the US. It's a major milestone for the convergence of traditional finance and digital assets. The potential here is massive, with access to a \$140 trillion global debt market. But, of course, there are opportunities and challenges for local governments and fintech innovators alike.

Bitcoin-Backed Bonds Rising

These Bitcoin-backed bonds are a new beast in the financial world. They blend traditional debt securities with the potential upside of Bitcoin. Recently, New Hampshire's Business Finance Authority (BFA) approved a \$100 million bond that allows private companies to borrow against Bitcoin held by a licensed custodian. This means they can raise capital without risking state funds or taxpayer dollars.

Here's the kicker: the bond requires borrowers to put up about 160% of the bond's value in Bitcoin. If the collateral dips below a certain point, an auto-liquidation process kicks in to safeguard investor interests. If this works, it could set the stage for similar bonds popping up across the country, opening the door for a new class of crypto-collateralized debt.

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