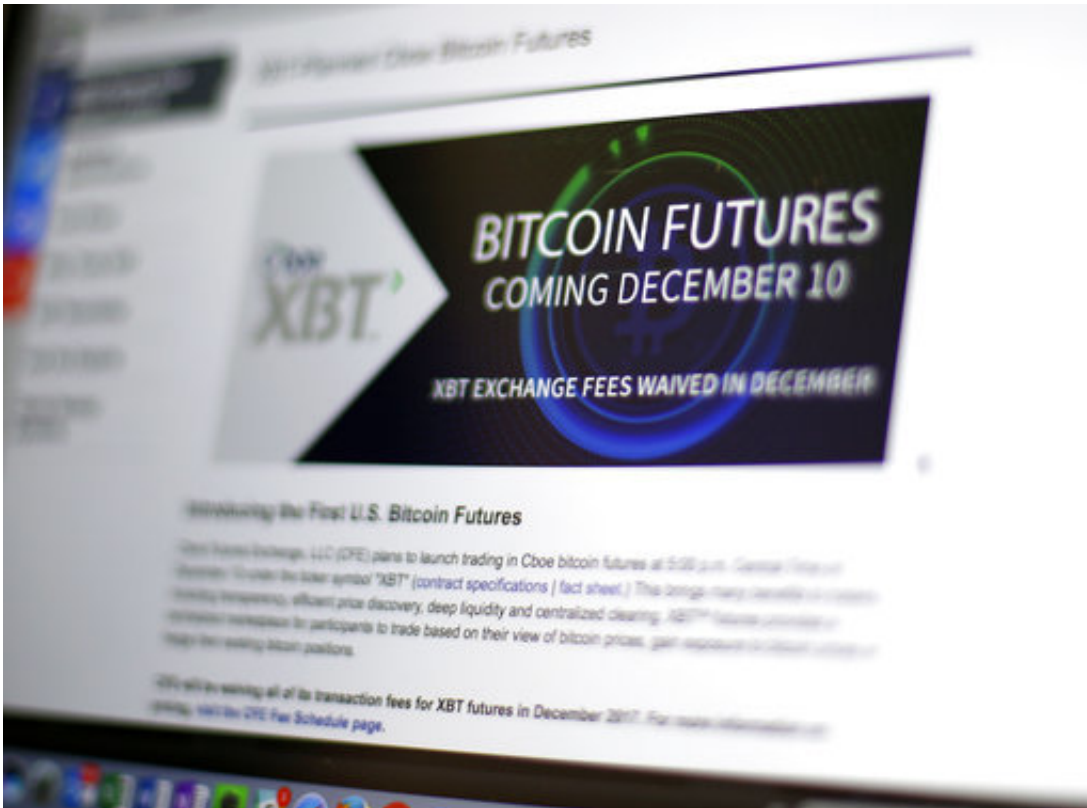


New Bitcoin-based security slightly higher in debut on CME (Update)

December 18 2017, by Ken Sweet And Alexandra Olson



This Dec. 8, 2017, file photo shows the Chicago Board Options Exchange website announcing that bitcoin futures will start trading on the Cboe on Sunday evening Dec. 10. The CME Group, another security based on the price of bitcoin, the digital currency that has soared in value and volatility this year, began trading on the Chicago Mercantile Exchange on Sunday, Dec. 17. (AP Photo/Kiichiro Sato, File)

A new security based on the price of the digital currency bitcoin was trading slightly higher Monday after its debut on the Chicago Mercantile Exchange, a week after another such security launched on a rival exchange.

The CME Group, which owns the Chicago Mercantile Exchange, opened up futures of bitcoin, which has soared in value and volatility this year, for trading on Sunday evening. By 7:50 a.m. EST (1220 GMT) Monday the futures contract that expires in January was at \$19,560, up \$60.

The CME futures, like the ones that CME competitor the Cboe started trading last week, do not involve actual bitcoin. The CME's futures will track an index of bitcoin prices pulled from several private exchanges. The Cboe's futures track bitcoin prices on the particular private exchange known as Gemini.

Each contract sold on the CME is for five bitcoin.

Bitcoin's price has skyrocketed on private exchanges this year, largely under its own momentum, piquing interest on Wall Street. The virtual currency was trading below \$1,000 at the beginning of the year, and rose to more than \$19,000 on some exchanges in the days leading up to its debut on the Cboe and CME. Bitcoin was trading at \$18,981 Monday morning on Coindesk.

The growing enthusiasm for bitcoin has raised questions over whether its value has gotten too frothy. The Securities and Exchange Commission put out a statement last week warning investors to be careful with any investment in bitcoin or other digital currencies. Further, the Commodities Futures Trading Commission has proposed regulating bitcoin like a commodity, not unlike gold, silver, platinum or oil.

Futures are a type of contract where a buyer and seller agree on a price

on a particular item to be delivered on a certain date in the future, hence the name. Futures are available for nearly every type of security out there, but are most familiarly used in commodities, like oil wheat, soy and gold.

Bitcoin is the world's most popular virtual currency. Such currencies are not tied to a bank or government and allow users to spend money anonymously. They are basically lines of computer code that are digitally signed each time they are traded.

A debate is raging on the merits of such currencies. Some say they serve merely to facilitate money laundering and illicit, anonymous payments. Others say they might be helpful methods of payment, such as in crisis situations where national currencies have collapsed.

© 2017 The Associated Press. All rights reserved.

Citation: New Bitcoin-based security slightly higher in debut on CME (Update) (2017, December 18) retrieved 2 May 2024 from <https://phys.org/news/2017-12-bitcoin-based-debut-cme.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.
