

# Bitcoin tops \$18,000 in debut on major bourse

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Bitcoin surged after its debut on a major global exchange

Bitcoin surged past \$18,000 after making its debut on a major global exchange but was trading lower on Monday, highlighting the volatility of the controversial digital currency that has some investors excited but others nervous.

Trading on a futures contract began at 6:00 pm (2300 GMT) on the

Chicago board options exchange (Cboe) at a price of \$15,000.

Heavy traffic made the Cboe website inaccessible in the first 20 minutes, but it said that "[trading](#) runs on very separate systems and was totally unaffected by the website issues."

Around 1000 GMT on Monday, bitcoin was trading at \$17,600 per unit for the futures contract expiring on January 17 after reaching a high of \$18,850, according to Cboe's website, meaning it exceeded the highest value reached on alternative non-regulated internet platforms.

Futures expiring on February 14 and March 14 were higher, trading at \$19,140 and \$19,100 respectively at the same time on Monday.

A futures contract is a financial product that allows investors to bet on whether the currency's price will rise or fall.

Bob Fitzsimmons, a futures manager at Wedbush Securities, described the opening as "quiet and steady," as Cboe data showed around a thousand trades were made in the first two hours.

The Cboe debut is expected to be followed a week later by a rival listing on Chicago Mercantile Exchange.

It marks the first opportunity for professional traders to invest in bitcoin on a traditional platform, even as some steer away because of a lack of regulations surrounding the currency.

"It gives it legitimacy. It recognizes that it's an asset you can trade," said Nick Colas, of Data Trek research.

Among those cheering the launch are the Winklevoss twins, who have been called the first bitcoin billionaires. Critics include financial

commentator Jim Cramer, who warns that prices could tumble once the new trading venues open the door to "short sellers," who bet on downward moves in assets.

The two launches were made possible after a key US regulator, the Commodities and Futures Trading Commission (CFTC), gave the green light to the exchanges on December 1, while warning "of the potentially high level of volatility and risk in trading these contracts."

Anticipation of the first mainstream listings for the [digital currency](#) has been a catalyst for a sharp price increase in recent weeks. Bitcoin opened 2017 at around \$1,000, surged past \$10,000 for the first time last month and soared as high as \$16,777 on Thursday before retreating somewhat.



Plenty of key figures in and around markets are taking a cautious approach to bitcoin, which has no central bank backing it, and no legal exchange rate

## **Going mainstream**

The actual opening of the Cboe market, an electronic trading venue, was a low-key affair, lacking the pomp of an initial public offering, which is often marked by the new entrant ringing the bell of the New York Stock Exchange.

The embrace by mainstream exchanges of bitcoin futures marks a sea change from the days when the digital currency was associated with drug dealing and other illicit activities.

The Cboe said it has taken precautions to address wild fluctuations: trading will be suspended for two minutes if bitcoin prices go up or down 10 percent, for instance.

"We are committed to continue to work closely with the CFTC to monitor trading and foster the growth of a transparent, liquid and fair bitcoin futures market," the Cboe said.

Still, plenty of key figures in and around markets are taking a cautious approach to bitcoin, which has no central bank backing it, and no legal exchange rate.

The Futures Industry Association, which includes some of the world's biggest derivatives brokerages, criticized the CFTC's move in a letter to the regulator, saying contracts are being rushed through without properly weighing the risks.

"A more thorough and considered process would have allowed for a robust public discussion among clearing member firms, exchanges and clearing houses," the association said.

Several leading financial heavyweights are still studying bitcoin and not

serving as financial intermediaries. This group includes JPMorgan Chase, Bank of America Merrill Lynch, Citigroup, Barclays, Morgan Stanley and Societe Generale, said people close to the matter.

Of the larger banks, only Goldman Sachs and ABN Amro are serving as intermediaries for the trades. That means most of the terrain will be dominated by smaller entities that are typically requiring larger than usual margin requirements—funds set aside as collateral in case of losses.

The Cboe, for its part, sought to reassure investors.

"We are committed to continue to work closely with the CFTC to monitor trading and foster the growth of a transparent, liquid and fair [bitcoin](#) futures market," it said in a statement.

Wedbush Securities has lifted its margin requirements and is only permitting trades from clients on a "selected" basis, said Fitzsimmons.

"We are commissioning only the select clients who have experience in bitcoins," he said.

"Our risk systems are ready and we have made sure we have our customers and firm protected by increased margins and increased scrutiny."

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