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## Bitcoin futures approval sparks fears: 'The financial crisis all over again'

- CME said it would launch bitcoin futures before the end of the year, sending the cryptocurrency's price above \$6,400.
- "It reminds me of the financial crisis all over again," said **Themis Trading's Joe Saluzzi**, who worries that bitcoin is still unregulated and thus open to fraud.
- **Saluzzi** fears the futures approval could open the door to an ETF for bitcoin that would put retail investors' money at risk.

By Jeff Cox  
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Cryptocurrency traders were having a blast Tuesday after bitcoin gained approval in the futures market, but not everyone was in on the party.

After CME said it would launch bitcoin futures before the end of the year, fears quickly arose that money would start cascading in, sparking dark comparisons with a financial crisis-like orgy of speculation.

"I have no problem with bitcoin. I like the concept," said **Joe Saluzzi**, a principal at **Themis Trading**. "I have a problem that on Wall Street the innovators are trying to package something up and put a derivative label on it when they really don't know what's underneath. It reminds me of the financial crisis all over again."

Bitcoin operates in the essentially unregulated universe of digital currencies, with nearly five dozen exchanges around the world, only two of which are based in the U.S., according to Bitcoin.org. Prices can vary widely as there is no underlying or mutually agreed upon pricing instrument.

That's one thing that scares **Saluzzi** — like the mortgages inside the collateralized debt obligations that helped precipitate the crisis, bitcoin's value could be hard to determine and bring substantial risk to the market.

But more than that, he worries that CME's stamp of approval could legitimize bitcoin and persuade regulators to approve a growing list of requests for exchange-traded funds. Bitcoin's price surged past \$6,400 Tuesday, according to CoinDesk.

That would take bitcoin out of the arena of futures markets and cryptocurrency exchanges — where traders should know the risks — and into the mainstream of investment, where the ETF industry so far has attracted \$3.3 trillion of investor cash and continues to grow.

"They're desperate for an ETF on this thing," **Saluzzi** said, referring to the major exchanges.

The Securities and Exchange Commission already has weighed in on bitcoin ETFs, rejecting a highly publicized request from Cameron and Tyler Winklevoss. The decision was based in part on bitcoin lacking a regulatory infrastructure that would prevent manipulation.

"There could be spoofing, there could be layering, there could be all sorts of manipulation going on in bitcoin now, and nobody knows," **Saluzzi** said. "Until they say they are watching and making sure there are no manipulations and fraudulent activities, until they say we have a better regulatory system, I think we are playing with fire."

A CME official, though, said the ability to bring bitcoin out to a more open market would increase stability.

"Offering a futures contract on a regulated marketplace brings a number of benefits to this new market including transparency, price discovery and risk transfer — all of which will better enable institutions and other market participants to manage their risk as the bitcoin market develops, a spokesman said.

**Saluzzi** is hardly the only voice on Wall Street warning about bitcoin.

JPMorgan Chase CEO Jamie Dimon has threatened to fire anyone on his staff trading in the cryptocurrency, and Larry Fink, CEO of BlackRock, the largest money manager in the world, recently called bitcoin an "index of money laundering."

For its part, CME does have its own pricing system, called the Bitcoin Reference Rate, which will be used for valuing the futures contracts. The BRR aggregates prices from what are deemed major bitcoin exchanges as of 4 p.m. London time.

"The BRR has proven to reliably and transparently reflect global bitcoin-dollar trading and has become the price reference of choice for financial institutions, trading firms and data providers worldwide," Timo Schlaefer, CEO of Crypto Facilities, which is working with CME, said in a statement.

**Saluzzi** said that if traders want to take the risk on the legitimacy of bitcoin pricing and the potential for fraud, that's their business.

"This is what they do, they're professional speculators," he said. "You just have to know what's in it."

It's retail investors getting involved through a potential ETF that draws concern.

"Until you understand what's going on, I don't understand how you can have an ETF," **Saluzzi** said. "This is scary, this is how it starts."