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Cryptocurrencies

Probe into Bitcoin Price Manipulation Probably ‘A Good Thing’, Novogratz Says

By Camila Russo

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- Gemini’s Winklevoss wants DOJ to help eliminate ‘bad actors’
- **Saluzzi calls for uniform regulatory oversight of crypto**

Major cryptocurrency proponents seemed unfazed by news the Department of Justice has started a criminal probe into potential trading manipulation.

Billionaire investor Mike Novogratz said he’s not surprised by the allegations and welcomes the investigation, a sentiment echoed by Cameron Winklevoss, president of crypto exchange Gemini. Wall Street’s biggest Bitcoin bull praised the move as the start of needed regulatory oversight.

“Weeding out the bad actors is a good thing, not a bad thing for the health of the market,” Novogratz, who is setting up cryptocurrency merchant bank Galaxy Digital LP, said in a telephone interview. “Plenty of exchanges have these inflated volume numbers to create some sense of excitement around coins,” he said, citing his own experience trying to trade.

“We welcome any inquiry that serves to foster rules-based marketplaces and deter bad actors,” Winklevoss, president of the Gemini exchange, said in an emailed statement.

“This is really welcome news ultimately because this means there is adult supervision coming/here,” Tom Lee, of Fundstrat Global Advisors, said in an email.

The world’s most valuable digital coin was down less than 1 percent as of 12 p.m. in New York, well off its lows for the day.

Bloomberg News first reported earlier Thursday that the DOJ opened a criminal probe into potential manipulation of the price of Bitcoin and other digital currencies, citing four people familiar with the matter. The investigation could shed light on whether reported trading volumes across exchanges are accurate, on whether traders use illegal practices to move prices in their favor and on other market irregularities.

Bitcoin fell as much as 4.3 percent to \$7,267 after the news was published. The cryptocurrency market has been under pressure all year as regulators clamped down on the sector, in part because of the concerns raised in the DOJ investigation.

Spencer Bogart of cryptocurrency hedge fund Blockchain Capital said he wouldn't be surprised if regulators found cases of fraud, given even the most highly scrutinized markets haven't been immune to it.

"I don't have any first-hand evidence of manipulation of Bitcoin prices but given that even the most highly regulated and most liquid markets in the world (e.g. Libor, FX markets, commodities) have consistently proven to be manipulated, it wouldn't be a huge surprise," Bogart said in an email.

Some market participants have already alleged that crypto manipulation is rampant. Earlier this year trader Sylvain Ribes wrote a post on Medium where he said he believes more than \$3 billion of all cryptoassets' volume is fabricated, after analyzing exchanges' order books. Last year, a blogger flagged the actions of "Spoofy," a nickname for a trader or group of traders who have allegedly placed \$1 million orders without executing them.

Trading volume for the total cryptocurrency market was at around \$20 billion today, with Bitcoin accounting for about 30 percent of that, according to CoinMarketCap.

Themis Trading LLC partner and co-head of equity trading **Joseph Saluzzi** said there should be cross-market surveillance in crypto markets to stop these practices.

"The issue is that there is no one regulator monitoring the underlying exchanges and therefore there is no way to know if manipulation like spoofing is going on," **Saluzzi** said in an email. "Some exchanges will say that they have information sharing agreements with each other, but again this is not enough to ensure that manipulation is not occurring. As we have seen in the equity market, exchanges are for-profit and can not be trusted to police themselves."