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 CME Group

CME Will Institute Limits On Bitcoin Futures



Matthew De Silva

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To prevent severe price fluctuations of its bitcoin futures, CME Group will institute tiered trading halts and hard caps. The company currently uses limits for stock market futures among other financial products.

On Tuesday, it was [reported](#) that CME Group Inc. will implement limits on its bitcoin futures to prevent dramatic price swings.

How do these limits work?

There are three trading thresholds: 7 percent, 13 percent, and 20 percent.

Movements of 7 percent (up or down) may prompt a two-minute trading halt. The same kind of trading halt can occur for price movements of 13 percent (again, up or down). These are referred to as “soft” limits.

For a 20 percent movement, the CME will utilize a “hard” limit, which caps

single-day swings of CME bitcoin futures.

Is there precedent?

Yes, the company also uses limits for [stock market futures](#).

Last week, CME [announced](#) that it hopes to offer bitcoin futures in the fourth quarter of 2017, pending regulatory review. In a [report](#) the same day, CME wrote, “However volatile they may be, the reason why gold and bitcoin are perceived as stores of value is simple: their money supply doesn’t grow quickly.” It's projected that the last bitcoin will be mined in 2140.

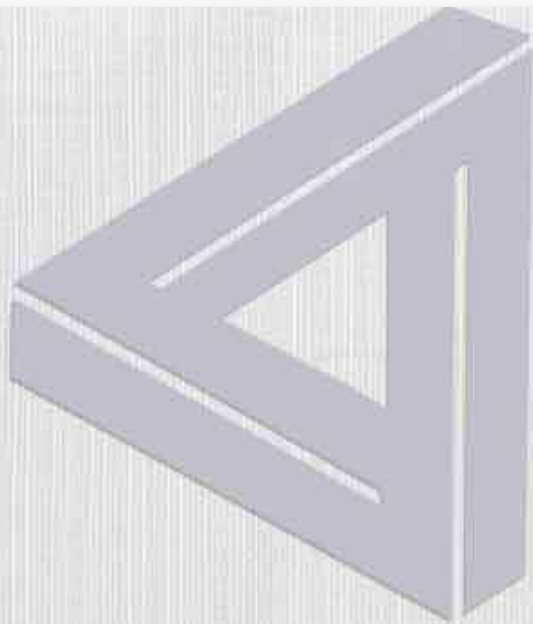
In an interesting thought experiment, they added, “While there is no logical reason to suppose that bitcoin should have the same value as gold, if it did, each bitcoin should be worth approximately \$285,000, 45 times the current market price.”

MATTHEW DE SILVA

Matthew is a writer with a passion for emerging technology. Prior to joining ETHNews, he interned for the U.S. Securities and Exchange Commission as well as the OECD. He graduated cum laude from Georgetown University where he studied international economics. In his spare time, Matthew loves playing basketball and listening to podcasts. He currently lives in Los Angeles. Matthew is a full-time staff writer for ETHNews.

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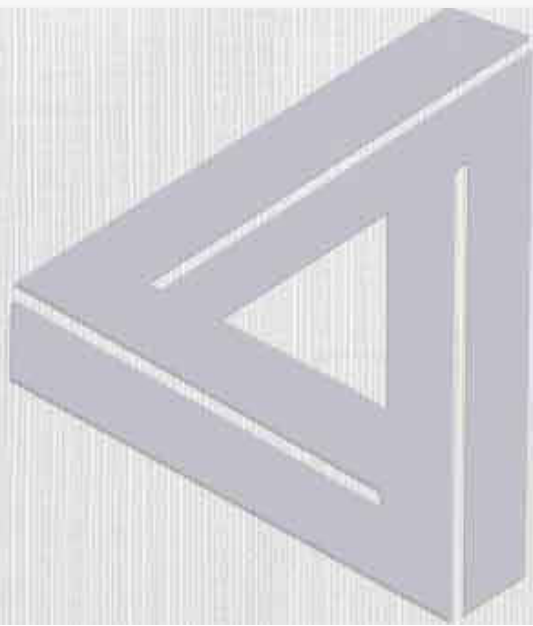


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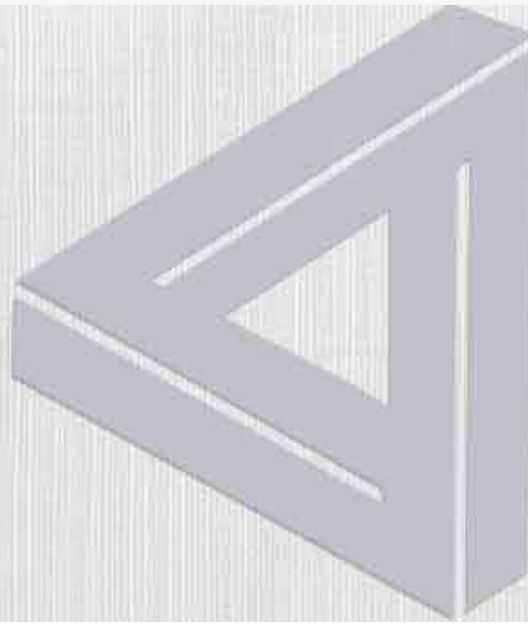


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