

## Wall Street banks push back on launch of bitcoin futures

Draft letter to US regulators says financial system ill-prepared for cryptocurrencies

The Chicago Mercantile Exchange plans to start listing bitcoin futures with a centralised clearing mechanism © Bloomberg  
Philip Stafford in London  
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The world's largest banks are pushing back on the [introduction of bitcoin futures](#), raising concerns with US regulators that the financial system is ill-prepared for the launch of the contracts as the value of the volatile cryptocurrency has soared.

On Wednesday, the price of bitcoin [climbed to a fresh record high](#) of more than \$14,000. Institutional investors have been keen to trade the asset but only via a regulated market.

However, the planned launch in the next 10 days of futures contracts by the Chicago exchanges [CME Group](#) and [CBOE](#) Global Markets, given a green light from the Commodity Futures Trading Commission last week, has prompted a backlash among the major brokers who backstop trading across the industry.

According to a draft letter from the Futures Industry Association, the main futures industry lobby group whose members include all the largest Wall Street banks, to the CFTC, the rapid introduction of bitcoin futures “did not allow for proper public transparency and input”.

The lobby group represents some of the world's largest brokers, including Goldman Sachs, Morgan Stanley, JPMorgan and Citigroup.

The CME and CBOE agreed to operate under a [self-certified regime](#) for their upcoming contracts, meaning regulators had minimal time to review them formally.

The draft seen by the FT, which is due to be sent to the CFTC on Thursday, insists that using a self-certification scheme for “these novel products does not align with the potential risks that underlie their trading and should be reviewed”, the draft reads.

The CFTC warned last week during its approval process that the emerging cryptocurrency markets were largely unregulated and the agency had “limited statutory authority”.

“It is also our understanding that not all risk committees of the relevant exchanges were consulted before the certification to launch these products,” the letter added.

Futures brokers are worried they will bear the brunt of the risk associated with bitcoin futures, because the margin that backstops the contract is placed in a clearing house.

Clearing houses stand between two parties in a trade, managing the risk to the rest of the market if one side should default. They are mutually funded in part by banks to guard against the failure of their largest members.

Several brokers among the top 10 largest providers have privately confirmed to the Financial Times that they will not clear the products immediately.

ABN Amro told clients it would clear bitcoin futures but only if they submitted requests in writing, and said it would assess the customer's trading systems and track record in meeting risk limits. "Other factors may be considered [by ABN] in its sole and absolute discretion," it said in a notice.

CBOE said its futures exchange did not have a risk committee, but it consulted with its board and regulatory oversight committee. The OCC, its clearing house, also has a risk committee that reviewed the product.

In its filing, CME said it had discussed the specifications of the contracts [with customers](#) for around six months. It did not have an immediate comment on Wednesday.

## The backstory

San Francisco reporter Chloe Cornish selects the stories that explain the concerns behind cryptocurrencies like bitcoin

- [To coin a craze: Silicon Valley's cryptocurrency boom](#)
- ['Crypto' hedge funds spring up in crowded field](#)
- [FT View: In cryptocurrencies, tech and speculation meet](#)
- [Bears target ways to bet on cryptocurrency mania imploding](#)

One clearing broker said that it would be open-minded about cryptocurrencies, as they were US dollar products, but only if they were "properly controlled and regulated". However he added: "We'd still be on the hook in a worst-case scenario as we are exposed as members of the clearing house."

Bob Fitzsimmons, head of Wedbush Futures, a non-bank broker, said his company would back both the CBOE and CME products from day one. “We could sit for hours and have a philosophical debate about bitcoin and its legitimacy and uses, but our job is to service our customers,” he said.

Other exchanges are showing interest in bitcoin futures but are more cautious. Thomas Book, chief executive of [Deutsche Börse](#)’s Eurex Exchange, said timing was crucial in launching a new derivatives contract.

“We still do see challenges that have to be tackled in close discussion with our clients. It is important for an exchange to follow a sustainable approach on this asset class well co-ordinated with the market.”

Thomas Peterffy, a pioneer of electronic trading and head of Interactive Brokers, [has warned](#) that the introduction of bitcoin futures into a clearing house could increase systemic risk. On Wednesday Interactive said its clients would be unable to short the bitcoin futures market because of the extreme volatility of bitcoin.

*Additional reporting by Gregory Meyer in New York*

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