

# Bitcoin derivatives booming



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The year of 2008 is remembered as the year of the global financial crisis, a crisis, fair or not, is often attributed to financial derivatives.

Derivatives allow for phony accounting; they obscure the market and concentrate risk and allow megabanks to take on more debt! Such were the sentiment back in the day.

Coincidentally, it is also the year when the idea of Bitcoin was conceived, though it would take another for the likely pseudonymous Satoshi Nakamoto to put his idea into execution. When the world's first decentralised currency was born, it was hailed by supporters and well-wishers as the remedy that would save the world from the ills of modern capitalism.

Are financial derivatives and Bitcoin antithetical? If derivatives are the culprit of the financial crisis and Bitcoin is the remedy, then the only logical conclusion is yes. Well, the reality indicates the contrary is true.

OKCoin, a leading China-based crypto-currency exchange and the largest according to “ volume, page view number and employee number” rolled out its Bitcoin futures trading system on August 5 and the market seems to be enthused.

According to Chris Woods, director of international operations of OKCoin:

Although we only launched Futures two days ago, we have already been inundated with institutional trading houses around the world asking to set up accounts. At the moment we already have both individual and institutional clients trading on our Futures product.

Futures is a common, and perhaps the oldest form of financial derivative with its origin dated back to the ancient Greece. The idea is quite simple, thus may set it apart from the more complicated and arguably fraudulent ones that are criticised for hiding risks from the gullible.

Although I wouldn't conclude that Bitcoin is heading towards a crisis of its own that resembles the 2008 one for the pre-Bitcoin world, we should acknowledge the ongoing change of trend: Compared with the first generation of Bitcoiners, who are made up by idealistic libertarians and crypto geeks, today, more venture capitalists and investment bankers are attracted by the new frontier. OKCoin may be an example.

The company was recently joined by Changpeng Zhao, a former head of Tradebook Futures Development at Bloomberg.

Although Zhao is better known among the Bitcoin circle for his stint at Blockchain.info, a popular Bitcoin wallet and block explorer service, he is also a trading system expert and put in charge of OKCoin's development team to develop new trading methods and adding new features to its fast expanding array.

If you follow the Bitcoin forums, you may notice that there are less discussions about how Bitcoin would save the world these days than a year ago.

While many Bitcoiners expected the year of 2014 to be the year of mass adoption, so far the year seems more about Bitcoin marrying big capital.

While there is no easy way to tell whether the new development is good or bad for the health of Bitcoin ecosystem, there is good reason for optimism as Bitcoin shedding its initial idealism is likely a mark of maturity and maturity is something that will benefit most of us and the most.