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Bitcoin is slipping after a study claimed its 2017 bull run was driven by market manipulation

(Business Insider)

- **Bitcoin fell 2% on Wednesday after a new academic paper was published claiming bitcoin's price run to December was driven by manipulation.**
- **The University of Texas at Austin paper says the exchange Bitfinex may have used Tether, a cryptocurrency it is closely linked to, to support the price.**
- **Bitfinex's CEO told Business Insider: "Bitfinex nor Tether is, or has ever, engaged in any sort of market or price manipulation. Tether issuances cannot be used to prop up the price of bitcoin or any other coin/token on Bitfinex."**

The price of bitcoin fell against the dollar on Wednesday after an academic paper claimed the cryptocurrency's 2017 bull run was caused by market manipulation at a major exchange – allegations denied by the CEO.

Academics at the University of Texas at Austin on Wednesday published a paper analyzing whether the cryptocurrency Tether "influences Bitcoin and other cryptocurrency prices during the recent boom."

The academics concluded that the price patterns were "most consistent with the supply-based hypothesis where Tether is used to provide price support and manipulate cryptocurrency prices."

Tether is a cryptocurrency supposedly backed by the US dollar one-for-one, offering the stability of the currency but the flexibility and functionality of cryptocurrency. The cryptocurrency was created by many of the same people behind the leading cryptocurrency exchange Bitfinex. (You can read a full explanation of Tether here .)

Bitfinex CEO JL van der Velde said in an emailed statement: "Bitfinex nor Tether is, or has ever, engaged in any sort of market or price manipulation. Tether issuances cannot be used to prop up the price of Bitcoin or any other coin/token on Bitfinex."

Bitcoin rallied over 1,000% against the dollar last year, peaking at over \$20,000 in December. It has since collapsed to below \$7,000.

The University of Texas paper looked at the relationship between Tether and the price of bitcoin from March 2016 to March of this year, but it focused specifically on the year to March 2018. The academics concluded "Tether seems to be used both to stabilize and manipulate Bitcoin prices," with new Tether coins seemingly created and used to buy up bitcoin at times of low demand.

The prominent skeptic Bitfinex'd, an anonymous Twitter user, has long argued that Tether was being used to manipulate the price of bitcoin by propping up demand. Bitfinex has denied this.

The New York Times first reported the paper and said the study was a strong indication of possible manipulation and would require further investigation.

Bitcoin fell 2% against the dollar shortly after the New York Times piece was published. The price has rallied slightly since then, and bitcoin was down 1.5% against the dollar as of 11:25 a.m. BST (6:25 a.m. ET).

The US Commodities and Futures Trading Commission issued subpoenas to Bitfinex and Tether last December, according to Bloomberg.

Last month the US Justice Department reportedly began investigating bitcoin price manipulation, focusing specifically on "spoofing" – the practice of placing fake orders to drive up or down a price – and "wash trading" – the practice of trading with yourself to simulate volume in a market.

Professor John Griffin and his graduate student Amin Shams conclude in their paper: "Our findings suggest that market surveillance within a proper regulatory framework may be needed for cryptocurrency markets to be legitimate stores of value and a reliable medium for fair financial transactions. Additional research is necessary to further understand these markets."

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