

Coinbase, first regulated US bitcoin exchange, opens

By Post Staff Report

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Photo: AP

Looks who's gone legit.

Bitcoin, the cybercurrency beset by controversy and wild swings in its value, got a huge boost on Monday when the first regulated US exchange opened.

The exchange, San Francisco-based Coinbase, is licensed to do business in 25 states — including New York and California.

While accounts at Coinbase and other bitcoin exchanges are not backed by any government of the Federal Deposit Insurance Corp., Brian Armstrong, CEO of Coinbase, said his company has insurance — which could offer traders some assurance against loss.

The opening Coinbase appears to have given the cybercurrency a life — raising prices about 16.6 percent Monday morning to \$296.63. Bitcoin has hit a 21-month low of \$152.40 on Jan. 14. It had been valued at \$1,200 in late 2013.

Coinbase, which already has 2.2 million accounts, or wallets, on file and 40,000 businesses that use it, is backed by plenty of legit investors. It has raised a total of \$106 million — including a \$75 million round this month that counted the New York Stock Exchange and USAA among its backers.

“To have an organized exchange that has the backing of thoughtful venture capitalists and investors addresses one of the main problems with bitcoin: its extreme volatility,” Campbell R. Harvey, a Duke University finance professor who has studied cryptocurrencies, told the Wall Street Journal.

“Bitcoin has been sorely in need of something like this,” he said.

Bitcoin fans were rocked in recent month by the collapse of the Japan-based Mt. Gox exchange — that led to the loss of \$500 million — and a security breach at Bitstamp, a Slovenia-based exchange.

Coinbase will profit by taking a 0.25 percent cut of most transactions. It will not take a cut of any transaction for two months as it looks to attract business.

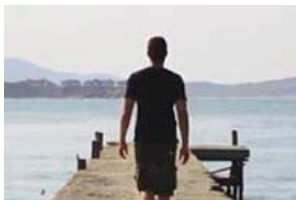
While Coinbase is the first regulated US exchange, it is expected to get some competition soon. The Winklevoss twins — Tyler and Cameron — hope to get their exchange, called Gemini, up and running soon, they said in a blog post Jan. 23.

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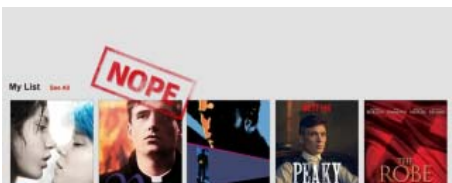
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