RESEARCH-ARTICLE

Volatility Spillovers between US Banking Industry and Bitcoin Market: Risk Implications for Banking Industry

Authors: Chamil W. Senarathne and Wei Jianguo | Authors Info & Claims

ICBCT '20: Proceedings of the 2020 2nd International Conference on Blockchain Technology
March 2020 • Pages 75 - 79 • https://doi.org/10.1145/3390566.3391666

Published: 29 May 2020 Publication History

Abstract

This paper examines the volatility spillovers between Bitcoin market and US banking industry using unrestricted BEKK-GARCH model. The results show that there is a strong short-term volatility spillover effect in the two markets. However, Bitcoin trading volatility process weakens the short-term volatility spillover effect from Bitcoin market to banking industry in the United States and the volatility of banking industry returns (i.e. volatility of operational results) weakens the short-term volatility spillover effect from banking industry to Bitcoin market mainly due to inability of adoption in the short-run. Moreover, there is a significant and (positive) long-term volatility spillover effect from Bitcoin market to banking industry. This remarkable observation reveals that there is a possibility of banking industry adopting Bitcoin operation as a part of banking product portfolio development in the long-run. As such, imposition of any tax or trading restriction (e.g. price bands, transaction cost, tax etc.) on Bitcoin market will adversely impact the performance of banking industry in the long-run. The nature of

References

[1] Babayan, D. 2019. Basel Committee: Growth of Bitcoin is a Bad Sign For Global Banking System. NewsBTC. (March. 2019). Retrieved from https://www.newsbtc.com/2019/03/13/basel-cornmittee-growth-of-bitcoin-is-a-bad-sign-for-global-banking-system/.
Google Scholar

[2] Hastreiter, N. 2017. 4 industries Bitcoin is already disrupting. Yechco. (January 2017). Retreived from https://tech.co/news/4-industries-bitcoin-is-already-disrupting-2017-01.
Google Scholar

[3] Zetzsche, D. A., Buckley, R. P., and Arner, D. W. 2018. The distributed liability of distributed ledgers: Legal risks of blockchain. U. Ill. L. Rev. 44, 1361--1372.
Google Scholar

[4] Guo, Y. and Liang, C. 2016. Blockchain application and outlook in the banking industry. Financial Innovation. 2, 1 (December. 2016), 24--54. DOI= https://doi.org/10.1186/s40854-016-0034-9.
Crossref | Google Scholar

Show all references

Index Terms

Volatility Spillovers between US Banking Industry and Bitcoin Market: Risk Implications for Banking Industry

Applied computing

Law, social and behavioral sciences

Economics

Recommendations

ABSTRACT
We study returns volatility and information availability in the rapidly growing Bitcoin market. The market microstructure

Read More

Volatility Spillovers between Bitcoin and Chinese Financial Markets

Abstract
In this paper we explore the dynamic time-frequency volatility spillover effects between Bitcoin and Chinese financial

Read More

An Investigation on the Volatility of Cryptocurrencies by means of Heterogeneous Panel Data Analysis

Abstract
Cryptocurrencies have emerged about ten years ago as a new form of currency and have attracted much attention since

Read More

Comments

View Table Of Contents