

## RESEARCH-ARTICLE

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

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## 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

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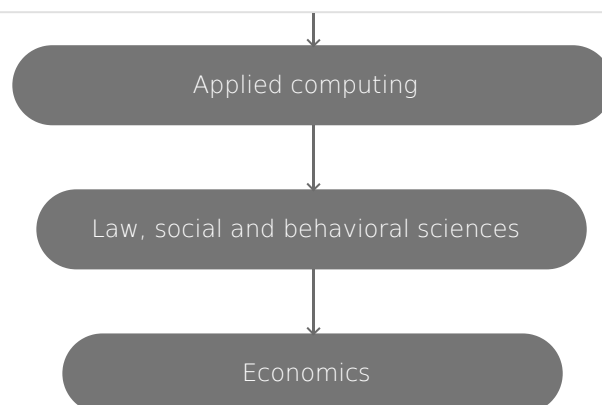
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ABSTRACT

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

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