

Coinbase brings cryptocurrencies to Wall Street

April 13 2021, by Daniel Hoffman



Bitcoin medals: the arrival of the first cryptocurrency exchange on the Nasdaq is exciting a great deal of anticipation on Wall Street

The arrival Wednesday of cryptocurrency exchange Coinbase on Nasdaq is one of the most anticipated events of the year on Wall Street, where

enthusiasm for record-breaking bitcoin is in full swing, despite questions about the sustainability of the market.

The first company devoted entirely to cryptocurrency to enter the US stock exchange, Coinbase—which will be listed under the symbol COIN—is already a heavyweight.

The Nasdaq on Tuesday night set a reference price for the company at \$250 per share. Taking into account the shares in circulation, stock options and restricted shares, Coinbase's overall valuation will begin at \$65.3 billion.

That makes Coinbase the biggest new US stock market entrant since Uber in 2019.

Coinbase chose a direct listing, which does not allow it to raise new funds but does offer current shareholders—founders, employees and historical investors—the opportunity to sell their stocks on the market.

Spotify, Slack, Palantir and Roblox had also used this method for their Wall Street debuts.

Nearly 115 million Coinbase shares will be put on the market. Their reference price will be announced Tuesday evening.

Bitcoin success

Founded in 2012 in San Francisco by Brian Armstrong and Fred Ehrsam, the platform allows users to buy and sell about 50 cryptocurrencies, including bitcoin and ether.

Coinbase claims 56 million total users and a little more than six million people making transactions each month, according to estimates from its

first-quarter results, released in early April.

The company has benefited from bitcoin's meteoric rise over the past year, with the crypto asset's price rising from \$6,500 last April to a record-high above \$63,000 on Tuesday.

In the wake of the reigning cryptocurrency, other virtual currencies—such as ether, Litecoin or Stellar Lumens—have also surged.

"With bitcoin already having more than doubled in the last six months and cryptocurrencies becoming more popular with more mainstream investors, it can certainly be argued that crypto has become more mainstream in the last 12 months," said Michael Hewson, the chief market analyst at CMC Markets UK.

As a result of this craze, Coinbase's revenue has increased almost tenfold in the course of a year to \$1.8 billion in the first quarter, according to group estimates.

Its profit increased 25-fold, in the range of \$730 to \$800 million.

The success of Coinbase and cryptocurrencies in general has given some rivals ideas: the head of the California-based cryptocurrency exchange platform Kraken told CNBC last week he hopes to take his company public next year, also via a direct listing.

Government concern

If the situation seems favorable to Coinbase, caution remains the order of the day among observers, who recall the company's dependence on the price of virtual currencies, which tend to be volatile.

Before its spectacular rise in recent months, bitcoin had experienced setbacks, particularly in 2018 when it kept falling.

Some also are drawing attention to the distrust of lawmakers in several countries who are concerned about cryptocurrencies being used for illicit purposes.

"Will Coinbase prove popular with retail investors? There is little doubt about that prospect with demand and interest set to be high," Hewson said.

"The bigger question is whether any valuation is sustainable, particularly given how many governments aren't particularly enamoured of cryptocurrencies," he said.

"Future regulation is likely to be a clear and present danger and a probable headwind" in the long term.

Coinbase was recently charged by the US Commodity Futures Trading Commission (CFTC) of "reporting false, misleading, or inaccurate" information about cryptocurrencies and manipulating the market between 2015 and 2018.

Without admitting wrongdoing, Coinbase paid a \$6.5 million fine, and the company was forced to push back its listing date on Wall Street.

Another factor that could put Coinbase at a disadvantage is its commissions, which the company uses to earn money.

These levies are higher than some of its competitors, particularly Binance, which was founded in China and seems to alarm regulators even more than Coinbase.

According to Bloomberg, the CFTC recently opened an investigation into whether Binance, which is not registered with the agency, had violated US commodities law.

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