

Bitcoin website vanishes amid huge theft claim

TOKYO, JAPAN: The website of Tokyo-based bitcoin exchange MtGox went down amid reports of a theft worth hundreds of millions of dollars of the virtual currency. The reports have dealt a blow to the currency's credibility.



Bitcoin's credibility has been damaged after the MtGox website inexplicably disappeared. Image: [BBB](#)

The bitcoin community rallied around to defend the unit, with chief executives of several major operators pledging to work together to shore up public faith in the project.

Visitors to the [MtGox](#) domain on Tuesday (25 February) got a blank page - consistent with contents having been removed - when they tried to log on, more than two weeks after the firm suspended cash withdrawals and claimed there was a bug in the software underpinning the crypto-currency.

A widely-shared document purporting to be a MtGox "crisis strategy" said the firm might have lost more than 744,400 bitcoins in a theft that had gone unnoticed for years.

That number of bitcoins would be worth more than US\$300m, using rates at functioning exchanges.

It was not immediately possible to verify the document, which was posted on a blog written by someone who describes himself as "an entrepreneur and former VC who makes the business case for #Bitcoin".

Consternation has grown since MtGox stopped processing external transactions on 7 February, claiming there was a problem with the programme that powers the currency and allows it to be transferred between users or swapped for goods and services.

Currency's value falls

The value of the unit on MtGox had gone into freefall since then. By midday on Tuesday (25 February), shortly before the shutdown, a bitcoin was worth US\$135, compared with the US\$430 quoted by the CoinDesk bitcoin price index, which tracks the price of the currency on major exchanges.

Prices among exchanges are not always the same. In January a bitcoin was worth more than US\$900 at MtGox, one of the world's first exchanges for the unit.

A joint statement issued by CEOs of major platforms said the currency was sound and blamed MtGox for the fiasco.

"This tragic violation of the trust of users of MtGox was the result of one company's actions and does not reflect the resilience or value of bitcoin and the digital currency industry," said the statement from Coinbase, Kraken, Bitstamp.net, BTC China, Blockchain.info and Circle.

"As with any new industry, there are certain bad actors that need to be weeded out, and that is what we are seeing. MtGox has confirmed its issues in private discussions with other members of the bitcoin community," it said.

Wild volatility has long been a part of the experimental digital currency, which does not have backing of a central bank or government and falls outside of traditional financial regulatory frameworks.

Complex algorithm

Units are generated by a complex computer algorithm designed by one or more anonymous people in 2009, with a global cap on the eventual number of bitcoins set at 21m units.

Proponents say the currency is an efficient and anonymous way to store and transfer monetary value and to avoid the risks inherent in any currency dependent on the viability of a government for its value.

But some economists say the project is mired in difficulties, including large fluctuations in value caused by speculators and a supposed vulnerability to online thieves.

Others note that the anonymity it offers is attractive to underworld figures and cite its use to buy drugs and guns on the underground [Silk Road](#) website.

MtGox has not responded to repeated requests from AFP for comment, but in a statement last week said it was still working on "re-initiating bitcoin withdrawals".

On the eve of service shutdown, MtGox's chief executive Mark Karpeles resigned from the board of the Bitcoin Foundation, which is an advocate for the virtual currency.

A handful of MtGox clients have staged small protests outside the firm's headquarters, but say they have not received any reassurances over whether or not their money is safe.

Source: AFP via I-Net Bridge