

Bitcoin value plunges on Japanese exchange

February 19 2014, by Hiroshi Hiyama

The value of bitcoin on a Tokyo exchange was less than half that on other platforms Wednesday, two weeks after it suspended withdrawals claiming a bug in the software that underpins the virtual currency.

MtGox, one of the world's oldest Bitcoin exchanges, this month stopped processing client requests to withdraw money held at its "wallet", citing a problem with the technology.

On Wednesday afternoon a single Bitcoin at MtGox stood around \$286 while other exchanges around the world were offering more than \$600. In January a Bitcoin was worth over \$900 at the Tokyo exchange.

Bitcoin is at the leading edge of the nascent crypto-currency movement. It is based on an open-source computer code designed by an anonymous person or people five years ago.

Unlike fiat currencies like the dollar or the euro, the bitcoin is not backed by a central bank or a government, but depends on cryptography to control the creation and transfer of money.

MtGox, which began life as a trading card exchange late last decade, was one of the first online exchanges for bitcoin and has grown quickly to become one of the world's largest repositories.

In a release, it said a glitch in the open-source software that powers the unit makes it possible for users "to alter transaction details to make it seem like a sending of bitcoins to a bitcoin wallet did not occur when, in

fact, it did".

This would allow someone to purchase a single unit and then to claim that it had never been received, which may then result in another bitcoin being sent or a refund being given, the company said.

"We apologise for the inconvenience caused by the recent suspension of external bitcoin transfers," the company said in a separate statement dated Monday.

Transactions are still permitted between users on MtGox, but not to a third party. It is also possible to exchange bitcoins for real-world currencies, including US dollars and Japanese yen.

However, the price appeared to have been undercut by a loss of faith in the exchange.

Critics say the bitcoin itself is safe and the problems lie with MtGox, which they claim cannot process a high volume of transactions.

MtGox, which has not responded to AFP requests for comment, said in a statement it has "implemented a solution" to the problems and insisted customers' assets were safe.

"With this new system in place, MtGox should be able to resume withdrawals soon," it said, adding that the firm was also adding a fresh layer of security.

But the hiatus has caused consternation among those whose cash is caught up, and there have been small protests at the exchange's headquarters.

London resident Kolin Burges has sat outside the Tokyo building since

last week with a sign saying, "MtGox where is our money?"

While it is largely the domain of speculators at present, a small number of commercial bodies accept the currency including at least 18 establishments in Japan, according to coinmap.org.

Its volatility and the anonymity it gives people involved in transactions have drawn criticism, including in relation to the underground Silk Road website where it was used to buy guns and drugs.

David Yermack, a professor at the New York University Stern School of Business, listed Bitcoin's flaws in a recent commentary in the MIT Technology Review as MtGox's woe continued.

Among the problems was its "digital wallets" that are "vulnerable to thieves and hackers", he wrote in the commentary dated Tuesday.

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