

Bitcoin exchange MtGox to start liquidation process (Update)

April 24 2014, by Peter Brieger



This photo illustration shows a man looking at the bitcoin exchange website of MtGox in Tokyo on February 25, 2014

Failed Bitcoin exchange MtGox, whose spectacular collapse hammered the digital currency's reputation, is to be liquidated after a Japanese court on Thursday ordered the start of bankruptcy proceedings, said a lawyer appointed to carry out the process.

The global virtual currency community was shaken by the shuttering of MtGox, which froze withdrawals in early February because of what the firm said was a bug in the software underpinning Bitcoin that allowed hackers to pilfer them.

The exchange filed for bankruptcy protection soon after, admitting it had lost 850,000 coins which were worth nearly \$500 million at the time. It made a similar filing in the United States in early March.

The ruling by the Tokyo District Court on Thursday all but spells the end for a company that at one time processed around 80 percent of global transactions in the virtual currency.

"(I) will implement the bankruptcy proceedings, in which the assets of the bankrupt entity will be managed and converted into cash," said a statement attributed to bankruptcy trustee Nobuaki Kobayashi posted on the exchange's website.

"If funds for a distribution are secured, the liquidating distribution will be made."

He added that a creditors' meeting will be held on July 23, but warned that there were no guarantees about how much money—if any—investors would get back.

"The actual amount and value of Bitcoins and cash of the company will be investigated by the bankruptcy trustee with the cooperation of certain experts," the statement said.

Bitcoins are generated by complex chains of interactions among a huge network of computers around the planet and are not backed by any government or central bank.



Bitcoin trader Kolin Burges from Britain holds up a placard to protest against Tokyo-based bitcoin changer MtGox in front of the company's office in Tokyo on February 26, 2014

On Thursday, the statement from MtGox's bankruptcy trustee said it would investigate the lost coins "to the extent possible through (the firm's) asset administration".

- Lingering questions -

"The company has consulted with the police authority, and the bankruptcy trustee will also proactively cooperate with it when such

cooperation is requested," the trustee added.

The liability of MtGox's under-fire chief executive Mark Karpeles would also be investigated as part of the bankruptcy proceedings, it said.

Last week, the court named Kobayashi as provisional administrator, which meant Karpeles ceded control of the company to him.

The France-born Karpeles has reportedly refused to travel to the United States, where he was being asked to appear for questioning in connection with MtGox's collapse.

Amid calls for a criminal investigation, the company said last month it had handed over documents to the Tokyo police, after it found 200,000 of the lost coins in a "cold wallet"—a storage device, such as a memory stick, that is not connected to other computers.

After trading for cents per Bitcoin for the first two years of its existence, the digital unit began a frenzied climb in 2011 that took it to \$40 a coin in late 2012 and to \$1,100 last year. It is currently trading at around \$505.



Mark Karpeles, president of MtGox bitcoin exchange speaks during a press conference in Tokyo on February 28, 2014

The unit's relative anonymity and lack of regulation has been attacked by critics who fear it could be used to finance organised crime or terrorism.

Last month, the Japanese government said Bitcoin was not a currency but transactions involving it should be subject to taxation.

Tokyo also said that banks could not broker Bitcoin transactions or open accounts holding the virtual unit.

But as regulators around the world grapple with how to handle the virtual

currency, Japan did not specify if Tokyo would immediately begin cracking down on it, or how it would do so, given the unit's opaque nature.

US Federal Reserve head Janet Yellen has said the central bank had no powers over a currency that only exists virtually with no central authority behind it.

Several countries, including Russia and China, have heavily restricted how Bitcoin can be used.

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