

US begins 'unprecedented' auction of Silk Road bitcoins

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This May 1, 2014 photo taken in Washington, DC shows bitcoin medals

The bitcoin world kicked into high gear Friday as the US government began auctioning some of the virtual currency seized in an FBI investigation of dark Web bazaar Silk Road.

The US Marshals Service auction was taking place until 2200 GMT for

29,000 bitcoins—about \$17 million at current rates, although bitcoin values have been highly volatile.

Bidders had to register last week with a deposit of \$200,000—in cash only from a bank transfer. Winners are to be notified Monday.

US authorities have another wallet of over 144,000 bitcoins which is not currently up for sale, which makes Washington likely the largest holder of the controversial cryptocurrency.

Bitcoins, according to backers, allow for an efficient and anonymous way to store and transfer funds online, but some governments contend the lack of regulation creates huge risks, and that virtual currencies are often linked to [money laundering](#) and organized crime.

The digital wallets were seized by the FBI in its investigation of Silk Road, an [online black market](#) for drugs, hacker tools and other illegal goods and services.

Bitcoins were created by a computer programmer in a way that allowed only limited amounts to be created. Whether they represent a currency is debated, but they are not backed by any central bank or government.

Bitcoin Shop, a [virtual currency](#) marketplace, announced that it would be bidding for the government-held coins.

"We believe in the future of virtual currencies and have made a strategic decision to participate in this unprecedented opportunity by wiring the deposit and submitting a registration application to the USMS," said chief executive Charles Allen.

Mark Williams, a Boston University finance lecturer and critic of virtual currencies, said the US is simply trying to unload its holdings.

"This auction doesn't validate bitcoin but simply demonstrated that the US government is anxious to get out before prices drop again," he said.

"The US Marshals Service (USMS) has over 29,000 reasons to sell by private auction and sell now."

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