

Bitcoin bank Flexcoin shuts down after thieves steal \$600,000

-, 04.03.2014, 23:41 Time

USPA News - Flexcoin, a site that dubbed itself as "the world's first bitcoin bank," was forced to close on Tuesday after a security breach allowed thieves to steal all of its bitcoins that were placed in online storage, just days after a bitcoin exchange admitted losing more than half a billion dollars in the digital currency. The company released a statement on its website on Tuesday admitting that 896 bitcoins, worth approximately \$600,000, had been stolen from the site's "hot wallet" - a company term meaning online storage.

"As Flexcoin does not have the resources, assets, or otherwise to come back from this loss, we are closing our doors immediately," the company said. Flexcoin told consumers that the company will work with law enforcement to trace the source of the security breach and promised that users who stored bitcoins in "cold storage" would still be able to retrieve their funds without cost as these funds were not affected by the breach. Users of the online service, however, were not promised a return on their stolen funds. Users who previously stored their bitcoin funds in Flexcoin's online circuits were directed to the Terms of Service agreement that they agreed upon when signing up for the online service. It states that the company is "not responsible for insuring any bitcoins stored in the Flexcoin system" and users further agreed "to not hold Flexcoin Inc, or Flexcoin Inc's stakeholders, or Flexcoin Inc's shareholders liable for any lost bitcoins." Flexcoin's homepage encouraged affected users to monitor the Flexcoin Twitter feed for updates on the situation. As recently as last Thursday, Flexcoin used its Twitter account to boast having better security measures than other bitcoin affiliates, such as Mt. Gox. "While the MtGox closure is unfortunate, we at Flexcoin have not lost anything," the Twitter post said. On another page of the Flexcoin website, the company previously claimed to "solve the bitcoin security problem" and said it increased the company's "security level dramatically." A computer security expert, commenting on Flexcoin's closure due to the theft, advised people using Bitcoin not to store their money online. "Bitcoin is designed to be a trustless peer-to-peer currency system. When users centralize it by storing their Bitcoins in some centralized service, then such services become a lucrative target for cyber criminals," he explained. Bitcoin is a digital cryptocurrency not controlled by any country or central bank, and intended to serve as an alternative for fiat money and as a way for people to do business online outside of government regulation. Recently, however, the digital currency has suffered huge security breaches, including the loss of 850,000 bitcoins at the Tokyo-based Mt. Gox exchange, forcing the company to file for bankruptcy. The bitcoins were valued at approximately \$563.3 million, according to Tuesday's exchange rate.

Article online:

<https://www.uspa24.com/bericht-1958/bitcoin-bank-flexcoin-shuts-down-after-thieves-steal-600000.html>

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Official Federal Reg. No. 7442619