

Bitcoin hits \$16K before major cryptocurrency exchange Coinbase crashes

By Erica Alini National Online Journalist, Money/Consumer Global News

WATCH: Bitcoin 101, a guide for beginners.

Bitcoin rose more than US\$3,000 in 24 hours to hit US\$16,000 (C\$20,500) before Coinbase, the largest cryptocurrency exchange in the U.S., started experiencing technical difficulties on Thursday.

The company posted a message on Twitter on Thursday morning saying technical issues were due to “record traffic.”



 **Coinbase**
@coinbase

We are currently experiencing record high traffic. This is resulting in some customers having slow performance or issues logging into their [Coinbase.com](https://coinbase.com) accounts. We are actively working to resolve this as quickly as possible.

11:07 AM - Dec 7, 2017

Coinbase - Buy/Sell Digital Currency
Coinbase is a secure online platform for buying, selling, transferring, and storing digital currency.
coinbase.com

839 728 1,557

Global News was able to access Coinbase around 2.30 p.m. ET on Thursday after the site appeared to be down around 1.30 p.m.

Meanwhile, on Wednesday, users of a popular cryptocurrency exchange called NiceHash were wringing their hands as the online marketplace that held their bitcoins unexpectedly went down. On Thursday, NiceHash marketing head Andrej P Škraba told the Guardian newspaper that hackers took 4,700 bitcoins, worth approximately US\$75 million (\$96 million) at today’s price.

READ MORE: Bitcoins stolen after cryptocurrency site NiceHash hacked

NiceHash matches people with spare computing power with so-called miners, who process Bitcoin transactions, a very energy-intensive procedure, and are rewarded with newly-minted bitcoins. It is hardly a place for cryptocurrency neophytes.

Coinbase, on the other hand, is probably where most Bitcoin beginners head to buy the digital currency in North America and one of few options for Canadians to purchase bitcoins via a credit or debit card.

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So what do the latest developments mean for Bitcoin newbies who have just piled into the virtual currency?

Coinbase has insurance

If you just bought bitcoins or other digital currencies on Coinbase, the first thing you should know is that the exchange has insurance.

Cryptocurrencies don't have government-backed deposit insurance, like bank accounts.

However, Coinbase is insured by Lloyd's of London, Campbell Harvey, professor of finance at Duke University's Fuqua School of Business told Global News, speaking before news of the Coinbase outage broke.

"All digital currency that Coinbase holds online is fully insured," reads the webpage where Coinbase details its insurance coverage.

The insurance would cover any customer funds lost as a result of a breach of the company's online storage, according to the statement.

Coinbase also states that only two per cent of its customers' funds is stored online, with the rest stored offline.

WATCH: Bitcoin: hot investment opportunity or looming bubble?

The risk of hacking attacks and technical glitches is very high right now

Bitcoin's unprecedented bull run means many digital currency platforms are experiencing both record user demand and an increased number of hacking attacks.

Bitcoin's ballooning price has more hackers are interested in stealing it, said Harvey.

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At the same time, higher traffic on Bitcoin exchanges and marketplaces might also be forcing technical upgrades that could open vulnerabilities to cyber attacks, said Harvey.

That's one of the theories currently circulating on social media about NiceHash, which announced software maintenance on Dec. 4, the day before the hack.

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But cyberattacks might also simply aim at market manipulation, some Bitcoin watchers believe.

Taking down digital currency exchange websites, for example, might stoke fears of theft and cause the market value of cryptocurrencies to drop. This is what likely happened when Bitcoin plunged over 15 per cent

on Dec. 1, shortly after breaking through the US\$10,000 mark, Anthony Diiorio, founder of Toronto-based cryptocurrency company Decentral previously told Global News.

WATCH: Consumer Matters: What is 'cryptocurrency?'

You can keep your bitcoins secure, provided you follow a simple rule

Despite the enormous incentive nowadays for cybercriminals to steal your virtual riches, it is actually easier to keep your bitcoins safe than it is to protect your financial information. That is, as long as you follow one simple rule.

"If you're smart about the way that you keep your keys, Bitcoin is much more secure than traditional finance today," Harvey told Global News.

Bitcoin wallets hold a piece of data called a "private key," which is used to sign transactions to and from it. A private key is a digital signature that makes a transaction traceable to a particular wallet and impossible to alter.

The best way to keep your bitcoins secure is to hold your private key rather than relying on an external entity's digital wallet and to store the key on an offline device such as a USB, Harvey said.

If you don't have a digital wallet, it's important to verify that whatever online platform you're using has insurance, said Harvey.

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