



'Know the risks before using Bitcoin'

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MANILA, Philippines - With the growing popularity of Bitcoin in the Philippines, experts from leading secure content and threat management solutions developer Kaspersky Lab urged Filipinos to learn its benefits and risks before using the online currency.

Bitcoin is a digital crypto-currency or a virtual currency in the form of a cryptographic string of characters instead of a printed bill or a minted coin.

Bitcoin transactions are fast, taking around only 10 minutes to verify a transaction. It's also cheap as it liberates users from the need to maintain or pay for processing fees to a credit card company.

It can be transferred to another person from halfway around the world in minutes and can be converted to traditional currencies on various exchanges at any given time.

Additionally, many online merchants has started accepting Bitcoin as a means to pay for goods validating the real world value of the currency. Recently, NBA's Sacramento Kings announced it will accept Bitcoin for purchasing tickets and other commodities.

You can actually buy things with Bitcoin that you can't buy with traditional currency.

Even though Bitcoin as a currency is not completely anonymous, it does provide a certain degree of privacy that you wouldn't get from commonly available options.

If we add the benefits of decentralization, privacy and ubiquity, we can begin to understand the temptation to invest our time and money in. As Bitcoin is not controlled by a central authority, there are no international transaction fees.

In November 2013, the value of Bitcoin has shot up to a staggering USD1,000 per unit.

In the country, there's a growing community of Bitcoin enthusiasts called Bitcoin PH. There is also BuyBitcoin.ph, an online exchange platform based locally, which means Filipinos now have an easier access to the digital currency.

Further into its development, the first Bitcoin ATM nicknamed Robocoin, which has already been seen in Canada is about to set foot in Asia.

Risks

While it is a tempting option for users, Bitcoin remains peer-to-peer meaning it is controlled only by the people who use it.

There is no central authority controlling it, there are no rules as far as currency regulation goes making the crypto-currency market highly volatile. As of this writing, 1 Bitcoin is quoted on Coinbase.com at USD600.

Some governments are rather nervous, too, and there is a heated debate about whether it should be regulated or not. Central banks from different countries have already issued public warnings about the risks in Bitcoin including money laundering.

In the Philippines, the Bangko Sentral ng Pilipinas (BSP) has yet to create regulations and measures to protect Bitcoin users. While it's something that should be expected, we have yet to see when the government or the BSP will intervene.

The transactions made with this currency are irreversible, too. Once you use Bitcoin, there is no turning back --- it can never be undone or taken back. Without the "undo" or "back" button, Bitcoin users need to be more careful in using it for online transactions.

This is one fatal flaw of the system that may nurture fraudulent transactions. So far, there are already over 30 instances of stolen or illegal transfers of Bitcoin.

The Bitcoin executives themselves led by Bitcoin Foundation vice chairman and BitInstant CEO Charlie Shrem were recently charged with money laundering that is associated with the sale of illegal drugs using Bitcoins.

The most alarming part is how cybercriminals have the capacity to work their way around Bitcoin wallets. BitFloor, then the largest U.S.-based Bitcoin exchange, suspended operations last year after attackers broke into a server and stole USD250,000 worth of the virtual currency.

Another breach last year targeting another exchange, Bitcoinica, a UK-based online trading site, resulted in the loss of \$87,000 worth of Bitcoin. A DDoS attack targeting the Mt. Gox, a Bitcoin exchange based in Japan, and the Bitcoin storage service instawallet knocked both services offline.

Following this trend, Kaspersky Lab experts expect this year even more growth in the number of attacks targeting virtual wallets.

"While Bitcoin can be a change-maker in money remittance and trading in the Asia Pacific region, people should be more wary about the risks associated with it. There are still countries in this region where no regulations exist to bind its users, and the fact that reversals cannot be done for Bitcoin transactions must make people more concerned about using the crypto-currency," said Bryan Sat, Kaspersky Lab Business Development Manager for the Philippines.

"Threats are not going away, it continuously evolves and hackers embrace every opportunity there is. With Bitcoin, hackers may find it easier to get into any user's online wallet and take their Bitcoin investments rather quickly," Sat added.

How do you keep your Bitcoins safe?

Below are some tips from Kaspersky Lab:

- Don't keep them all in online banks or stock exchange services. These are newer institutions run by anonymous entities, so you have no guarantee that your money will be securely held or if you can have your money back if they are robbed.
- Even if you consider a place that has a supposedly sterling reputation, again, there are more ways to breach a digital bank than a physical bank vault. Storing small amounts for current operations is OK though.
- Keep this offline wallet in a separate hard drive or a computer that isn't connected to the Internet, only transferring Bitcoins to your Internet-connected device when you need to complete an online transaction.
- Bitcoin users can certainly keep their money offline using free and widely available tools like Electrum or Armory that let you store your Bitcoins in heavily encrypted cases on your own hard drive.
- Use a strong password with these or an open-source password-generating software.
- Remember to back up your wallet so you don't end up throwing out all your life savings to the nearest landfill site.

Lastly, know where you keep them. James Howells, an IT worker from South Wales, once discarded an old hard drive containing his wallet which had around 7,500 Bitcoins inside or the equivalent of today's USD6,235,000 (over PHP287 million).

Ref.: <http://www.philstar.com/gadgets/2014/02/19/1292176/know-risks-using-bitcoin>

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