

# A crypto-currency fraud spill incident in Japan

Naoyuki Iwashita<sup>1</sup>

<sup>1</sup> Kyoto University, Yoshida-Honmachi Kyoto 606-8501, Japan  
iwashita.naoyuki.7e@kyoto-u.ac.jp

**Abstract.** At midnight on January 26 of 2018, crypto-currency NEM equivalent of 58 billion yen was illegally remitted and leaked to someone. One of the major crypto-currency exchange companies "Coincheck" had stored this crypto-currency owned by customers. Coincheck managed the all of stored NEM with only one secret key. The attacker used this key illegally and issued commands to rewrite the ownership information to remit NEM to the attacker's address. Eventually, the leaked NEM has laundered anonymously into other crypto-currencies and lost from the investigation. Japan has enforced the law regulating crypto-currency ahead of other countries and has operated the registration system of exchange companies. However, the current Crypto-currency Act in Japan does not have a sufficient mechanism for customer protection that considers exchange companies store a large amount of customers' asset. The government should strengthen the legal regulation from the perspective of consumer protection. Each exchange company should consider institutional security measures using trust law and insurance. The industry needs to make an effort to set self-regulation on unified security standards and disclosure of security management and corporate governance.

**Keywords:** crypto-currency, NEM, Coincheck, regulation