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# Update on ETD:ETH Reconciliation and the Future of Gatecoin (Oct 12)

*Gatecoin*

7-9 minutes

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HONG KONG—OCTOBER 12TH, 2016—As you may have noticed, we have made a couple of announcements in the last few weeks on our listing of [FirstBlood \(1ST\)](#) and [SingularDTV \(SNGLS\)](#) tokens, and enabling transfers for Augur's Reputation (REP) tokens. We would like to address the questions this activity has provoked, especially with regards to the current status of ETD:ETH reconciliation, Gatecoin's current financial situation and our future prospects.

## **Why has it taken so long to get an update on the ETH situation?**

First of all, we would like to apologize for the delay since our [last update](#) (Aug 17) on the status of our clients' ETH debt repayment. We were waiting to have positive news on the full repayment, which we believed would come sooner, and so we decided to postpone an update until now.

Although we have yet to announce full ETD:ETH reconciliation, we wanted to demonstrate that we are in a much stronger position than we were a few weeks or months ago and to relay our commitment to repaying the full amount of stolen ETH.

## **What exactly has happened since the breach took place?**

Here is a brief recap of events and key milestones:

**May 9–12:**

- Malicious actors gained access to our system and stole ETH 185,000 and BTC 250

**May 13:**

- Breach was identified and all Gatecoin services were suspended (taken offline)
- Engagement with global law enforcement authorities and cybercrime specialists
- Initial forensic investigation by professional cyber security firm, Tehtri Security

**May 14:**

- Details of breach were announced publicly once amount stolen had been confirmed

**May 15:**

- Start of criminal investigation by Hong Kong police (ongoing)

**May 15—August 17:**

- Exchange's security infrastructure was rebuilt and system was migrated to new server provider with consultation from future CTO

**July 5:**

- Secured commitment of USD 500,000 in equity investment from a Japanese firm, the first tranche of which, representing USD 300,000, was received in late July
- Recovered ETH 5,000 of the stolen funds with help from Poloniex

**August 17:**

- Resumed trading services
- Reimbursed BTC 250 and ETH 5,000
- Announced availability of ETH withdrawals equivalent to 10% of post-breach ETH funds
- Listed ETD on affected clients' balances

### **August 30:**

- Closure of European bank account

### **September 20:**

- New [CTO](#) joined the team in addition to new frontend and backend engineers

### **September 28:**

- Announced listing of FirstBlood (1ST tokens)

### **October 6:**

- Announced listing of SingularDTV (SNGLS) tokens and enabling of REP transfers

### **So, what's the latest on the ETD:ETH reconciliation?**

Over the past few months we have tried several methods of fundraising, including:

- Raising equity investment at a discounted valuation
- Issuing convertible bonds
- Applying for bridging loans

However, as the negotiations and compliance processes for these methods are ongoing we have focused on other ways of accumulating funds to try and settle the ETH 180,000 debt much sooner.

We are currently actively involved in several large OTC trades,

which combined with our fees from underwriting recent ICOs should enable us to raise the desired amount of ETH before the end of 2016, as a most conservative estimate.

Pending the outcome of a large deal that is in the final stages of negotiation, we are hoping to announce our final update on ETD:ETH reconciliation (full repayment) by mid-November.

### **Why is it taking so long for Gatecoin to repay the stolen ETH?**

Investors and financial institutions in Hong Kong, where we are based, are typically much more conservative than their counterparts in Europe or the US, and so fundraising for a company in our situation is incredibly challenging.

Especially if you consider the fact that after the system breach we fired our CTO, lost half our engineering team, and rebuilt the exchange with limited human resources and funds, during which we were offline.

As a result, pitching, negotiations, and compliance processes have taken several months, which is why we have yet been unable to announce the closing of a major deal dedicated to ETH repayment efforts. For example, the commitment from our Japanese investor was initially promised for the end of May, but we only received the first tranche (60% in this case) of the committed investment in late July.

### **Why has Gatecoin launched new tokens without first addressing ETD?**

Both FirstBlood and SingularDTV are incredibly interesting projects being built on top of Ethereum and we saw the underwriting of their ICOs and token listings as opportunities not to be missed, and we hope that these tokens present promising

investment opportunities for our current and prospective clients.

Attracting more traders to the platform by listing new assets, also enables us to allocate more profits earned from trading fees to a slowly growing pool of ETH funds.

### **What's the update on Euro SEPA deposits and withdrawals?**

We are currently in the final stages of opening new bank accounts at several different banks across Europe, which offer Euro SEPA transfers. These accounts should be ready by the end of 2016.

Currently, all Euro transfers are being processed through our Euro account at our bank in Hong Kong.

### **What is the current financial health of the firm?**

Aside from the USD 300,000 investment we received in late July, we are currently breaking even based on recent revenue streams and allocating excess funds to our ETH debt repayment fund and expanding our engineering team.

### **What should we expect from Gatecoin in the coming months?**

Ensuring the full reconciliation of ETD for ETH remains our top priority. We will provide a further update on the ETD:ETH situation (hopefully the last) in mid-November.

In the meantime, we will continue to list new Ethereum based tokens and privacy-centric cryptocurrencies, and enable public participation in upcoming ICOs.

We will be announcing the launch of a new Ethereum based token later this week.

### **More Questions?**

If you have more questions after reading this update, especially

with regards to your account or trading activity please login to [Gatecoin.com](https://gatecoin.com) and send us a support ticket [here](#) (scroll down to below the FAQ).

If your question addresses issues that you believe are relevant for all clients and the community, we welcome you to post on our official [subreddit](#).

To be informed of future service updates and announcements you can follow us on [Twitter](#).

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### **Message from our CEO**

It's been a long, hard road (unfortunately no hard fork for us), but we kindly ask you to wait a few more weeks, and we aim to offer as much transparency as possible in the meantime.

Since the system breach, we have rebuilt the team and relaunched the trading platform. We haven't recovered our liquidity as fast as we would like due to the lack of resources but we are currently negotiating with different parties and are confident that this will progressively improve.

We understand your frustrations and concerns, but we hope that we can reassure you of our commitment and ability to repay the ETH debt.

This is an uncomfortable situation for all and we would very much like to turn the page on this negative chapter of our business as soon as possible.

We look forward to recovering fully and offering you a superior trading experience, with a greater variety of blockchain assets and fiat currency pairs, and greater confidence in our security.

Yours Sincerely,

## Aurélien Menant