

Oops. Data Error Causes Up to \$125 Million Bitcoin Loss at FCoin Exchange

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By JD Alois

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“The route to hell is paved with goodwill” starts the missive posted by [FCoin](#) (a crypto exchange) creator Zhang Jian who then goes on to reveal that “internal problems and technical difficulties” may mean a loss of between 7000 and 13,000 Bitcoin – or up to \$125 million.

The FCoin exchange has posted a system upgrading notice on its home page but an upgrade maybe just a fraction of the issue.

Jian posted the tragicomedy on FCoin’s official [Reddit](#) page. The exchange was shuttered last week.

Jian's explanation is republished below. You can add it as another entry into the annals of crypto exchanges gone bad.

It's time to reveal the truth. The truth, even cruel, is better than beautiful lies. In particular, public lies will sooner or later break through under the watchful eyes of everyone. And more importantly, I can't watch innocent people being implicated and good people being blinded.

status quo

The biggest problem that FCoin currently faces is not the problem that the system cannot be restored, but the problem that the capital reserve cannot be paid by users. The internal problems and technical difficulties we face are the result of financial difficulties. It is expected that the scale of non-payment is between 7000-13000 BTC.

the reason



It is neither an external hacking or an internal volume run, but a data error + a decision error. This is a problem that is a little too complicated to be explained in a single sentence, the time span is also large, and the two story development lines are advancing and affecting each other at the same time, leading to the final outcome. In order for everyone to have a more intuitive understanding, I have to say the whole story before and after.

Non-fatal data errors (mid-2018)

With the emergence of transaction mining and 80% of the income dividend, FCoin exploded the entire currency circle as soon as it went online, causing a large influx of users, and the old exchanges felt tremendous pressure and were forced to take various countermeasures, which was chaotic for a while. And lively situation like never before.

Behind this madness is a startup team that doesn't want to fight it out. Everything is happening too fast, users want faster, the situation changes at any time, and they are always in high tension. One detail I remember very clearly is that at one stage, because the transaction volume, the number of mining, and the number of dividends were huge at the same time, when the system was in a high-risk state, everyone even asked me to slow down, do not insist on daily dividends, give Technical point of respite, otherwise there will be serious consequences. I didn't listen at first because the external market was under great pressure. However, when I found that my colleagues were on the verge of collapse (long-term continuous work, and even someone who didn't have time to go back to a nearby home to rest), I compromised. On the day when I announced the postponement of dividends, FT smashed from the highest point in history, and the community was uproared, forcing me to once again urgently put pressure on the technology to find a feasible solution.

I think the bane was planted in such a scene. The hurricane in the front desk caused us to have no energy to deal with the background problems at all. An incredible fact is that we had the energy to bring the back-end financial system online even after 1 year of FCoin launch (understandably it was completely streaking before).

One day later, a kind user reminded us that he received a lot of mining returns. This immediately caught our attention, began to thoroughly investigate the reasons, and frozen a small number of accounts with problematic mining data, and timely recovered some of the frequently-occurring mining. However, with the deepening of the investigation, we found a large number of existing data problems of dividends and mining returns, and these problems have existed for many days. As a result, a large number of users have already been through operations such as buying and selling various currencies and withdrawing cash, causing The "pollution" of assets. Because the amount and amount of daily dividends were very huge at that time, it was already hard to ensure the normal operation of the system, and then we were unable to continue to thoroughly investigate and locate the actual loss. We can only roughly estimate and plan for future processing. At that time, it was estimated that the loss was equivalent to 10-20 million US dollars, which is completely affordable in our body.

Fatal decision mistakes (2018-2019)

When FCoin went online in 2018, due to the rapid rise of transaction mining, it caused a rapid rise, so that in the first few months of the launch, I personally had a huge income (the book has accumulated to US \$ 150-200 million). For any start-up team, this is a fantastic start, even a height that most entrepreneurs cannot reach in their lifetime. Old FCoin users may remember that even a day's dividend was as high as 6000 BTC.

For me, however, it was the beginning of a disaster. Because the early FT skyrocketed, it set the stage for the long-term decline that followed. I remember that many media later described FT's plunge by 95% (at this time they deliberately did not mention the fact that it had increased 100 times in just a week or two).

The long-term decline of FT + community has brought disastrous consequences. I pay so much attention to the community, and even willing to pay everything for the community, but the fact is that once you fall, you will be drowned by drooling curses. The reason is not important, I don't listen to safety, I only need you to do various functions and various measures to save. Why do others have you? Why don't you introduce stronger measures. FCoin is too precocious, and no one gave him the opportunity to grow him slowly before he was well developed. Therefore, everything in the end is focused on the two words "currency price". This is how the fatal decision errors begin.

"The token economy is my original intention, but overnight riches are not, so I am willing to use my overnight riches in exchange for the original heart of the token economy."

For a long time, not only did I use my entire income to buy back FT, I even convinced other members of the team to do the same. In this way, all the accumulated wealth of the team and me has become a stepping stone to help others cash out. I was really scolded by thousands of people at the time, while holding my real money to buy back FT.

But why is this fatal? This has to say that the data errors mentioned above. If no data is wrong, at most it is the personal wealth of our team. However, after adding this factor, the result is that we used "polluted" dividend income (both our real money and "multiple" dividends) to buy back FT that may also be "polluted" (In the case of multiple returns), help others to real cash. Those with a little common sense will understand that this operation will lead to asset shortfalls.

However, we found it too late. The expansion of our initial positioning problem was at the beginning of 19, when I had to freeze a group of accounts to ensure security, but most of them only frozen FT assets (including some large mining customers), and a small part of all assets (including large Some institutional shareholders, but before the freeze they have withdrawn huge dividend income). Because the data tracking and analysis was not detailed enough (you should remember that our financial system was only launched in the middle of 19 years), we thought that although the loss was larger than originally expected, the situation was completely controllable. Then in the second half of 19th, with the improvement of our back-end technology, coupled with the long-term bear market and the continuous outflow of assets, the problem began to become serious. Although we also hope that the bull market has improved in all aspects and we can get through the difficulties, this is just our unilateral expectation. The outflow of assets continued until the

day of the shutdown. Looking at the review now, if there is no decision to “use all revenue for repurchase”, we will have sufficient funds to cover losses even if the problem is discovered late. Unfortunately, history cannot be repeated.

The above two reasons are a bit complicated. If it is not easy to understand, I can make a simple analogy: the FCoin ship hit an iceberg as soon as it set sail in 18 years. Although the ship did not sink immediately due to the large ship, the open mouth was in The decision error at full speed was getting bigger and bigger, which eventually caused the ship to sink in early 20’s.

end

On the day of the shutdown, a struggling partner asked me if I could work harder, can I ask for help from outside, why not contact Huobi? Although I knew the end of the contact in my heart, in order not to leave regrets for everyone, I still called Li Lin who had not contacted for two years. After all, it is a long-time colleague, and the trust relationship is still there, so I told him the real reason (but not as detailed as this article) when I came up, and then explored possible rescue solutions, the results were exactly the same as I expected. Because I know that if Li Lin agreed to rescue, Huobi would not have today or tomorrow. If I changed to him that day, I should and would have made the same decision.

There are too many stories about FCoin. A short article could not be developed. I have no energy for the time being. If you can write a book, you will see people of all colors and other debuts, and the shameless limit of various shameless people. If I weren’t strong enough, I wouldn’t be able to sustain it. But my mind has long been engraved with the notion of “not worth it on earth.” Really tired.

Don’t hurt each other

Not only the user is the victim, but all the colleagues, friends, volunteers who have fought for FCoin, including the investors who helped me on the platform, etc., are all victims, even more deeply injured, because they also learned the truth that day or now. I hope that users will not be angry with them or threaten to hurt anyone. The emergence of traitors within the so-called internal divisions is everyone’s imagination, not the fact. System problems, FT destruction, and so on are all unrelated events, and they are not the actual issues facing FCoin. Under such circumstances, it is understandable that an organized team cannot be organized to allow the website to function normally or be repaired quickly, or various problems occur.

All decisions are made by me, and I can’t blame others.

About mail withdrawal

At present, all mail withdrawals are handled by me, so the efficiency is very low. Mail withdrawal processing will be divided into two phases, the current phase and the long-term phase. I expect the current mail withdrawal process to take 2-3 months. Since the current assets are not enough to pay the users, I will deal with the principle of allowing as many users to withdraw as possible to minimize the number of people affected. It is difficult to discuss the issue of fairness here, and we should not ask people to ask for help. I will do my best to speed up the process and release the relevant data after the processing is completed.

About my plan behind

I have decided to switch tracks and start again, hoping to get up again as soon as possible, and use my personal new project profits to compensate everyone for their losses. I will disclose any important progress of the new project through public channels.

Once the new project is on track, I will begin the long-term mail withdrawal process, which may take 1-3 years. In addition, for the other losses of FT and FMEX investors, I am also willing to use the profit of the new project to compensate. The specific calculation method will be discussed with you at the beginning of the compensation.

Final words

“The unselfish beginning will bring disastrous consequences; the greed of human nature is the motive force for the advancement of society.”

Things in the world are so ironic. After seeing too many greedy people, I was able to fill them up, and did not forget to call you a silly X. However, I was determined to achieve my career without fear of sacrificing all my wealth, but ended up in the name of a runaway.

Responsible for the end of your life.

Zhang Jian

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