

Alderney looks to cash in on virtual Bitcoins with
Royal Mint reality
By Jane Wild

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Bitcoin

Increased trading in the decentralised virtual currency has begun to attract the attention of regulators.

The tiny Channel Island of Alderney is launching an audacious bid to become the first jurisdiction to mint physical Bitcoins, amid a global race to capitalise on the booming virtual currency.

The three-mile long British crown dependency has been working on plans to issue physical Bitcoins in partnership with the UK's Royal Mint since the summer.

It wants to launch itself as the first international centre for Bitcoin transactions by setting up a cluster of services that are compliant with anti-money laundering rules, including exchanges, payment services and a Bitcoin storage vault.

The special Bitcoin would be part of the Royal Mint's commemorative collection, which includes limited edition coins and stamps that are normally bought by collectors. It would have a gold content – a figure of £500-worth has been proposed – so that holders could conceivably melt and sell the metal if the exchange value of the currency were to collapse.

The hype surrounding Bitcoin has escalated in recent months and its market value has rocketed; the price of a single Bitcoin hit a new peak of \$1,242 on Friday on the Mt Gox exchange, established in Tokyo in 2009 as a trading card exchange.

Critics warn of a speculative bubble although its proponents believe that the currency could be widely adopted as a method of making payments outside the traditional banking system. Ben Bernanke, chairman of the Federal Reserve, and other government officials around the world have said virtual currencies could have benefits if they can be regulated to prevent money laundering.

Holders of the Alderney Bitcoin would not be able to spend it in stores but would be able to exchange it for a virtual Bitcoin by travelling to the island.

Alderney hopes that by minting the first physical Bitcoin it will raise its profile as the “go-to” destination for the virtual currency, as it seeks to expand its offshore credentials beyond the online gambling sector.

David Janczewski, head of new business at the Royal Mint confirmed it had been approached by the finance minister of Alderney to “explore the possibility of manufacturing a physical commemorative coin with a Bitcoin theme”. “Discussions have not progressed further and at this stage it remains nothing more than a concept,” he added.

But the controversy around Bitcoin has made the Alderney plan a sensitive subject. The Treasury, which owns the Royal Mint, declined to comment on the plans. George Osborne, the British chancellor, also holds the title of Master of the Mint.

The plans have been steered by chairman of the island’s finance committee, and are understood to have the support of Alderney’s president, although they still need to be approved by the island’s 10-member parliament.

A number of private companies have produced physical Bitcoins, although they are not backed by an official mint. Instead they feature a holographic strip, which is peeled off to reveal the private key then redeemed online.

How would Alderney’s plan work?

An independent company will provide the Bitcoins. If the price plunged, neither Alderney nor the Royal Mint would lose anything. The company would put the Bitcoins in an escrow account at an agreed price. Meanwhile, the Royal Mint would take customers’ orders for its minted Bitcoins and receive money from those coin sales. The virtual Bitcoins backing the physical coins would be held in digital storage facilities by Alderney.

The Mint would issue the commemorative Bitcoin, paying for the value of the gold content itself. Alderney would receive royalties from sales of the coins. Coins could be redeemed for sterling at any point in Alderney for the price of a Bitcoin on that day.