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The DAO Attacked: Code Issue Leads to \$60 Million Ether Theft

Michael del Castillo (@DelRayMan) | Published on June 17, 2016 at 14:00 BST

NEWS



The DAO, the distributed autonomous organization that had collected over \$150m worth of the cryptocurrency ether, has reportedly been hacked, sparking a broad market sell-off.

A [leaderless organization](#) comprised of a series of smart contracts written on the ethereum codebase, The DAO has lost [3.6m ether](#), which is currently sitting in a separate wallet after being split off into a separate grouping dubbed a "child DAO".

Ether markets plunged on the news, falling below \$13 in trading on the cryptocurrency exchange Poloniex. With ether currently trading at roughly \$17.50 per coin, that puts the value of the stolen cryptocurrency at more than \$60m.

News of the hack first began to circulate on Reddit and other social media sites this morning, prompting Ethereum co-founder Vitalik Buterin to [call for a pause](#) in trading in ether markets as well as those for DAO tokens, which are used to vote on funding proposals for the decentralized group.

TheDAO was launched in May using open-source code written by Slock.it, an Ethereum-focused startup based in Germany. The DAO is designed to operate like a venture capital fund empowering it members to fund ethereum projects.

To become a voting member of The DAO tokens were sold in exchange for ether during a month-long “creation phase” that resulted in \$162m worth of ether being raised. A measure was built into The DAO code that allows for “child DAOs” to be formed in which members could split off for various purposes.

[Earlier this week](#), word of a so-called “recursive call” attack that could be used to drain some smart contract accounts emerged following a blog post by Bitcoin Foundation founder Peter Vessenes. A solution was produced by Slock.it and uploaded to GitHub.

For now, the ethers moved to the second DAO appear to be frozen. Gustav Simonsson, a member of the Ethereum Foundation that helps over see the Ethereum codebase, [posted on Reddit](#) the funds in question can't be spent until 14th July, as they are locked in that child DAO's creation phase.

Next steps include a possible two-part fork of the Ethereum blockchain, as explained [in a note](#)

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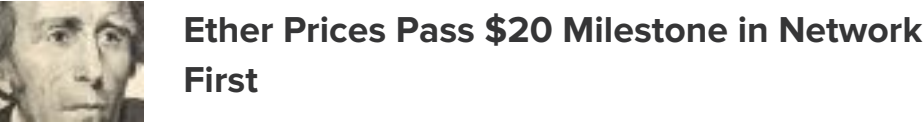
published by Buterin. The fork would not roll back or reverse any transactions, but instead seek to prevent the further drain of ethers from The DAO by providing a mechanism for reacquiring them.

Rushing water image via Flickr

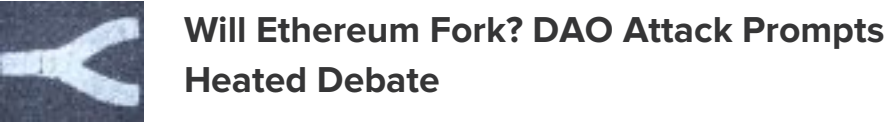
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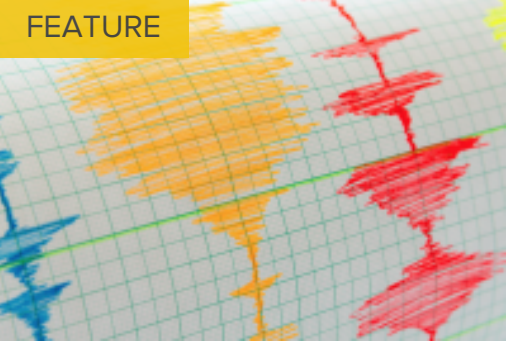


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