

Wisconsin Dept. of Financial Institutions: State agency reminds investors to approach cryptocurrency with caution

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State agency reminds investors to approach cryptocurrency with caution

MADISON – With cryptocurrencies continuing to attract headlines, the Wisconsin Department of Financial Institutions (DFI) today reminded Wisconsin investors to be cautious about investments involving cryptocurrencies.

“Investors should go beyond the headlines and hype to understand the risks associated with investments in cryptocurrencies, as well as cryptocurrency futures contracts and other financial products where these virtual currencies are linked in some way to the underlying investment,” said Leslie Van Buskirk, Administrator of DFI’s Division of Securities.

Cryptocurrencies are a medium of exchange that are created and stored electronically in the blockchain, a distributed public database that keeps a permanent record of digital transactions. Current common cryptocurrencies include Bitcoin, Ethereum and Litecoin. Unlike traditional currency, these alternatives have

no physical form and typically are not backed by tangible assets. They are not insured or controlled by a central bank or other governmental authority, cannot always be exchanged for other commodities, and are subject to little or no regulation.

A survey of state and provincial securities regulators by the North American Securities Administrators Association (NASAA), of which DFI is a member, shows 94 percent believe there is a “high risk of fraud” involving cryptocurrencies.

“The recent price fluctuations in cryptocurrency-related investments can easily tempt unsuspecting investors to rush into an investment they may not fully understand,” Van Buskirk said. “Cryptocurrencies and investments tied to them are high-risk products with an unproven track record and high price volatility.”

Last month, NASAA identified Initial Coin Offerings (ICOs) and cryptocurrency-related investment products as emerging investor threats for 2018. Unlike an Initial Public Offering (IPO) when a company sells stocks in order to raise capital, an ICO sells “tokens” in order to fund a project, usually related to the blockchain. The token likely has no value at the time of purchase. Some tokens constitute, or may be exchangeable for, a new cryptocurrency to be launched by the project, while others entitle investors to a discount, or early rights to a product proposed to be offered by the project. NASAA offers a short [animated video](#) to help investors understand the risks associated with ICOs and cryptocurrencies.

Investors who have questions about cryptocurrencies or other securities issues can visit the DFI website at <http://wdfi.org/fi/securities/enforcement> or call [\(608\) 266-1603](tel:6082661603).