

DFI: Issues Decentralized Finance investor advisory

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MADISON, Wis. – As part of its ongoing efforts to raise investor awareness, the [Wisconsin Department of Financial Institutions \(DFI\)](#) today issued an investor advisory discussing Decentralized Finance (DeFi), a relatively new blockchain-based set of financial services gaining popularity and acceptance.

The growing popularity of cryptocurrencies is one of the main drivers behind the development of alternative banking and business opportunities that may rely on DeFi models. Given the industry is still emerging, these alternatives tend to be unregulated because they rely on cryptocurrencies instead of conventional fiat currencies, such as the U.S. or Canadian dollar or Mexican peso. As a result, DeFi markets lack many of the protections offered by regulated service providers.

“Decentralized Finance is an emerging technology and it’s important for investors to understand how DeFi works compared to traditional lending platforms,” said DFI Secretary Kathy Blumenfeld. “These alternative financial services providers distinguish themselves from mainstream companies by offering lending, banking, and investing options that are decentralized or not dependent on traditional financial markets. Because DeFi is an emerging technology, the risks differ from those in traditional markets. Investors should use caution any time they consider investing in unregulated investment products or unregulated platforms.”

The full advisory is available on the agency’s website [here](#). The advisory explains what DeFi is, the technology behind it, how DeFi lending works, potential risks for investors, and how consumers can avoid becoming a victim to a scam.

Before making any financial decisions, DFI recommends investors do their homework, ask questions, and contact DFI's Division of Securities by phone at (608) 266-2139 or by email at DFISecurities@dfi.wisconsin.gov for more information.