

Cryptocurrency

What is Virtual or Digital Currency?

consumer *brief*

CRYPTOCURRENCY: WHAT IS VIRTUAL OR DIGITAL CURRENCY?

Investors may find themselves lured by the promise of high returns when considering the purchase of digital or virtual currencies, such as cryptocurrencies. The current financial environment has led to an increase in popularity of cryptocurrency investments. However, investors need to beware, these investments may be unregistered securities and fraudulent.

Cryptocurrencies are digital assets which use blockchain technology to generate the units of currency and verify the transfer of funds. In addition to their purported investment potential, virtual currencies can also be used to purchase goods and services from certain platforms and retailers. Bitcoin may be the first established and most recognizable cryptocurrency, however, there are many other digital currencies. Digital currency transactions are relatively anonymous.

The **New Jersey Bureau of Securities** in its mission to protect investors is providing this information to caution investors about investment opportunities related to cryptocurrency. Investors may be lured into sending funds to website operators, who may be offshore, who may not be truthful regarding how the investors' funds will be used.

BE WARY OF CRYPTOCURRENCY RELATED STOCK SCAMS

Investment pitches related to bitcoin or any other virtual currency may scam investors by:

- Guaranteeing unrealistically high investment returns. Investments that provide higher returns generally can be very risky.
- Sending and promoting unsolicited communications to investors about cryptocurrency related investments.

- Pressuring investors to buy the investment right away. Investors should always take time to research any investment before handing over any money.
- Having unlicensed and unregistered persons making cryptocurrency related investment deals. Federal and state securities laws require investment professionals and their firms who offer and sell investments to be licensed or registered. You can check the registration status of an individual or firm by calling the **Bureau of Securities** at **1-866-I-INVEST (1-866-446- 8378)** or by completing the *Information Request Form* found on the **Bureau of Securities** website under *Look-up a Financial Professional* to ask for a free background report before investing.

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THERE ARE UNIQUE RISKS RELATED TO CRYPTOCURRENCY INVESTMENTS

Investment involving digital currencies, such as bitcoin, present some unique risks. Investors should evaluate these risks when considering cryptocurrency related investments:

- Digital currencies held in a digital wallet or at a cryptocurrency exchange are not insured.
- The value of digital currencies are volatile and can drastically decline.
- Cryptocurrency and many crypto-related investments are subject to little regulatory oversight, and there may be no recourse should the cryptocurrency disappear due to fraud or a cybersecurity breach.
- Cryptocurrency or crypto-related investments only exist on the internet. Issuers can be located anywhere in the world, so it may be impossible to trace and recover lost funds through the courts.
- Cryptocurrency exchanges may stop operating or permanently close due to fraud, technical glitches, hackers or malware. Cryptocurrencies, bitcoin or other virtual cryptocurrencies may be stolen by hackers.

INITIAL COIN OFFERINGS (ICOs)

Cryptocurrency entities are increasingly selling virtual coins or tokens as a way of raising capital, typically for a new cryptocurrency venture. Risks related to ICOs, in addition to the ones already mentioned include investments in entities with inexperienced teams and unproven business plans, little to no transparency regarding the progress of the business plans, and the value of the ICO is speculative. Additionally, ICOs may be securities and may require registration with the U.S. Securities and Exchange Commission and state securities regulators unless exempt.

If you have a question and/or complaint concerning a cryptocurrency investment, or would like to check the registration of any individual or firm offering securities, you may contact the **Bureau of Securities** by mail, phone or online.

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