MEDIA ALERT

“Utah Division of Securities Alert: Bitcoin and Other Crypto-Currencies top Investor Threat in 2018”

“State regulators fear Beehive State’s growing economy and technically savvy public could be targets”

(For immediate release…)

SALT LAKE CITY, Utah – Francine A. Giani, Executive Director of the Utah Department of Commerce, announced today that the Division of Securities is warning Utah investors that popular crypto-currencies such as Bitcoin are risky investments and common vehicles for fraud. The Division is releasing information and investor tips to alert consumers that crypto-currency schemes may target their retirement savings in the near future.

“Virtual currencies such as Bitcoin and other crypto-currencies have received a lot of headlines in the news and on social media but most of us still don’t understand how it works,” explained Francine A. Giani, “The Utah Division of Securities asks that we take time to research where our money is really going before jumping into any investment.”

What is Crypto-currency? Crypto-currencies 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 crypto-currencies include Bitcoin, Ethereum and Litecoin. Unlike traditional currency, these alternatives have no physical form and typically are not backed by tangible assets. Consumers need to be alert that these investments 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.

With Utah’s growing economy and consumer spending, state regulators fear that the Beehive State could be targeted for crypto-currency pitches.

“Utah’s reputation as a technically savvy and connected state makes our population ripe for crypto-currency fraud,” stated Keith M. Woodwell, Division Director, “While it’s a compliment to our population for being plugged into what’s trending, internet hype can lead to rash decisions.”

What are Investor risks if investing in Crypto-currency?
1. **Bitcoins can be lost or stolen.** Bitcoins and other crypto-currencies are stored electronically in a virtual wallet and are traded through unregulated exchanges. There have been multiple cases of individual wallets or entire exchanges being "hacked". Thousands of consumers have lost millions of dollars’ worth of bitcoins with no recourse or method of recovery.

2. **The value of Bitcoins fluctuates wildly.** While the dramatic rise in the value of Bitcoins has generated many headlines in the past year, crypto-currencies can (and do) lose value just as rapidly. After reaching an all-time high of almost $20,000 per Bitcoin in mid-December, the price of Bitcoins fell by more than 25% in just ten days. Crypto-currencies are not a stable store of value and involve an extremely high level of risk.

3. **Bitcoins and Initial Coin Offerings (ICO) are being used by fraudsters.** The Utah Division of Securities is currently investigating Ponzi schemes and other frauds linked to crypto-currencies. The fact that crypto-currencies are unregulated and difficult to track makes them attractive to fraudsters. Investors should be extremely wary of promoters who promise high returns through Bitcoin arbitrage or trading strategies or the opportunity to get in on the ground floor of a growing phenomenon through an initial coin offering (ICO) where investors receive new crypto-currencies in exchange for their investment.

4. **Bitcoins do not work like a government currency and are not regulated or controlled by any government, bank, or company.** While many fans of Bitcoin view the fact that Bitcoin is not dependent upon any government or monetary authority as an advantage, this lack of regulation also creates serious problems. While some companies and individuals will accept Bitcoin as a form of payment, many do not. Crypto-currencies cannot be deposited in a bank and have no form of protection comparable to deposit insurance.

**Remember to Watch for Red Flags of Fraud**

1. **“Guaranteed” high investment returns.** There is no such thing as guaranteed investment returns, and there is no guarantee that any crypto-currency will increase in value. Be wary of anyone who promises a high rate of return with little or no risk.

2. **Unsolicited offers.** An unsolicited sales pitch may be part of a fraudulent investment scheme. Crypto-currency investment opportunities are promoted aggressively through social media. Be very wary of an unsolicited communication—meaning you didn’t ask for it and don’t know the sender—about an investment opportunity.

3. **Sounds too good to be true.** If the project sounds too good to be true, it probably is. Watch out for exaggerated claims about the project’s future success.

4. **Pressure to buy immediately.** Take time to research an investment opportunity before handing over your money. Watch out for pressure to act fast or “get in on the ground floor” of a new tech trend.
5. **Unlicensed sellers.** Many fraudulent investment schemes involve unlicensed individuals or unregistered firms. The Utah Division of Securities can help investors research the background of those selling or advising the purchase of an investment here: [https://securities.utah.gov/investors/index.html](https://securities.utah.gov/investors/index.html) or by calling the Division directly at (801) 530-6600.

**About the Utah Division of Securities**
The Division of Securities enhances Utah’s business climate by protecting Utah’s investors through education, enforcement, and fair regulation of Utah’s investment industry while fostering opportunities for capital formation. Investors should do business with licensed securities brokers and advisers and report any suspicion of investment fraud to the Utah Division of Securities by calling (801) 530.6600; toll free at 1.800.721.7233 or logging on to [www.securities.utah.gov](http://www.securities.utah.gov).

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