



State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor**

Peter Bildsten, **Secretary**

April 30, 2014

FOR IMMEDIATE RELEASE

Contact: George Althoff, Communications Director, 608-261-4504

**State agency warns consumers
to be cautious with virtual currencies**

MADISON – The Wisconsin Department of Financial Institutions (DFI) today cautioned businesses and consumers to consider the risks if they intend to use or invest in virtual currencies. Virtual currencies, which include digital and crypto-currency, are gaining in popularity – and controversy.

For example, a growing number of merchants, businesses and other organizations currently accept Bitcoin, one example of crypto-currency, in lieu of traditional currency. However, one of the largest Bitcoin exchanges, Mt. Gox, recently shut down after claiming to be the victim of hackers and losing more than \$350 million of virtual currency.

Virtual currency can be bought or sold through virtual currency exchanges and used to purchase goods or services where accepted. These currencies are stored in an electronic wallet, also known as an e-Wallet, which is a digital system that allows payments online via a computer or mobile device.

“These alternative currencies – unlike traditional currencies – are not backed by tangible assets, are not issued by a governmental authority and are subject to little or no regulation,” said DFI Secretary Peter Bildsten. “The value of virtual currencies is highly volatile and the concept behind the currency is difficult to understand even for sophisticated financial experts. Investors should be aware that investments that incorporate virtual currency present very real risks.”

Consumers should consider the following before investing in virtual currency:

- Virtual currencies and companies dealing in virtual currencies may or may not be regulated.
- The Internal Revenue Service recently declared that virtual currency will be treated as property and not as currency, and transactions therefore may be subject to certain taxes under IRS code.
- Virtual currencies can be stolen or otherwise subject to cybercrime.
- Virtual currencies are volatile in value.
- Virtual currencies have been connected to criminal activities.

- Virtual currency accounts are not insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), which insure bank and credit union deposit accounts up to \$250,000.
- Investors will have to rely upon the strength of their own computer security systems, as well as security systems provided by third parties, to protect their e-Wallets from theft.

DFI's advisory was issued in conjunction with the Conference of State Bank Supervisors (CSBS) and the North American Securities Administrators Association (NASAA). More information about virtual currencies may be found on their respective websites, www.csbs.org and www.nasaa.org.

Consumers who have questions about virtual currency may contact DFI Communications Director George Althoff at george.althoff@wisconsin.gov or 608-261-4504.

###