



State of Wisconsin
Department of Financial Institutions

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DFI joins 40-plus other states in international crypto crackdown

MADISON – The Wisconsin Department of Financial Institutions (DFI) today announced it has issued an investor alert as part of an international crackdown on fraudulent Initial Coin Offerings (ICOs) and cryptocurrency-related investment products. The sweep is being coordinated by the North American Securities Administrators Association (NASAA), of which DFI is a member.

“Fraudulent activity involving ICOs and cryptocurrency-related investment products is a significant threat to Main Street investors in Wisconsin,” said Leslie Van Buskirk, Administrator of DFI’s Division of Securities. “Crypto-criminals need to know that DFI is committed to swiftly and effectively protecting investors from schemes and scams involving these products.”

DFI has joined with more than 40 other state and provincial securities regulators in the United States and Canada in “Operation Cryptosweep,” resulting in nearly 70 investigations and 34 pending or completed enforcement actions since the beginning of May. These actions are in addition to more than a dozen enforcement actions previously undertaken by NASAA members regarding these types of products.

In April 2018, NASAA organized a task force of its member state and provincial securities regulators to begin a coordinated series of investigations into ICOs and cryptocurrency-related investment products. Regulators identified many cryptocurrency-related products and as part of its work, the task force identified hundreds of ICOs in the final stages of preparation before being launched to the public. These pending ICOs were advertised and listed on ICO aggregation sites to attract investor interest. Many have been examined and some were determined to warrant further investigation. A number of these investigations are ongoing and others resulted in enforcement actions announced today.

“The actions announced today are just the tip of the iceberg,” Van Buskirk said, noting that NASAA’s task force also found approximately 30,000 crypto-related domain name registrations, the vast majority of which appeared in 2017 and 2018.

A critical component of “Operation Cryptosweep” is raising public awareness of the risks associated with ICOs and cryptocurrency-related investment products. “Not every ICO or cryptocurrency-related investment is fraudulent, but we urge investors to approach any initial coin offering or cryptocurrency-

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related investment product with extreme caution,” Van Buskirk said, adding that the best protection is prevention since there is little likelihood that fraudulent investments will ever be recovered by investors.

For more information about ICOs and cryptocurrencies, contact Robin Jacobs in the Division of Securities at robin.jacobs@dfi.wisconsin.gov. To assist consumers, DFI has issued two investor advisories: “What to Know About ICOs” and “Be Cautious of the Crypto Investment Craze.” Both are available on the agency’s website at <http://www.wdfi.org/fi/securities>.

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