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Wisconsin DFI Cautions Investors About Crypto Interest-Bearing Accounts

MADISON, Wis. – The Wisconsin Department of Financial Institutions (DFI) cautions Wisconsin investors about the risks associated with interest-bearing cryptoasset and cryptocurrency accounts.

A growing number of companies offer so-called “deposit” account products that promise to pay high rates of interest on deposits of cryptocurrencies. When an investor makes a deposit, they typically exchange their cryptocurrency for a promise by the issuing company or the borrower for a return of the same amount of cryptocurrency plus interest whenever the investor requests a withdrawal of the invested funds or at the end of a fixed term.

“Investors should be cautious and skeptical of investment offers that sound “too good to be true” or that offer guaranteed high returns with little risk. All investments carry the risk that some or all of the invested funds could be lost. High interest rates could often indicate high risks,” said DFI Secretary Kathy Blumenfeld.

Cryptocurrency accounts may appear to be similar to savings accounts offered by banks and credit unions, except these interest-bearing accounts are generally much riskier. Deposits made by investors are only denominated in cryptocurrency. Neither the FDIC nor any other governmental agency insure deposits in cryptocurrency interest-bearing accounts.

The companies that offer these products do not have access to the liquidity facilities that exist in the regulated banking system to protect depositors. The high rates offered by these companies have caused retail investors to consider investing in these accounts.

As with all investments, before making any financial decisions, DFI encourages investors to do their homework, ask questions, and contact DFI’s Division of Securities at (608) 266-2139 or email DFI Securities at DFISecurities@dfi.wisconsin.gov for more information.

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