



State of Wisconsin
Department of Financial Institutions

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Consider Risks if Dabbling in Cryptocurrency

MADISON, Wis. – Investors should always be wary of ‘too good to be true’ sounding investment opportunities, but new opportunities in cryptocurrency can be particularly difficult to evaluate for risks. The [Wisconsin Department of Financial Institutions \(DFI\)](#) and the [Wisconsin Department of Agriculture, Trade and Consumer Protection \(DATCP\)](#) caution consumers to watch out for scammers and thieves when they invest in cryptocurrency.

Cryptocurrency is a computer-based digital currency designed to work as a monetary system wherein individual coin ownership records are stored in a ledger existing in a form of a computerized database. This database, or blockchain, uses strong cryptography to secure transaction records, control the creation of additional coins, and verify the transfer of coin ownership. Examples of cryptocurrencies include Bitcoin, Ethereum, Dogecoin, Litecoin, Binance Coin XRP, and Tron. These cryptocurrencies are often available through a crypto exchange such as Coinbase or Binance.

“Cryptocurrencies do not fall neatly into the existing state and federal regulatory framework yet, so it may be easier for promoters of these products to scam you,” said DFI Secretary Kathy Blumenfeld. “If you choose to invest in a cryptocurrency or related product, be prepared that some or all of the invested funds could be lost. Cryptocurrency investments are not recommended for retirement investments or with any money you cannot afford to lose. Before making any financial decisions, do your homework, ask questions, and contact DFI’s Division of Securities with any questions about the product or the person selling it.”

“Cryptocurrency investments may sound like exciting opportunities, but they can also pose significant risks. Consumers should use caution and do their research if considering investing in cryptocurrency,” suggests DATCP Secretary Randy Romanski. “Investors should also take care to safeguard their cryptocurrency keys, seed phrases, and exchange account information to prevent theft.”

Some concerns about cryptocurrency include:

Cryptocurrency Deposit Accounts

Unlike traditional savings accounts, interest-bearing crypto-asset and cryptocurrency accounts come with big risks. A growing number of companies are offering “deposit” accounts that operate with a seemingly simple promise to pay high rates of interest on deposits of cryptocurrencies. However, investors should know cryptocurrency transfers may be untraceable and irreversible. When they go to withdraw the invested funds, they risk discovering they have been scammed. Neither the FDIC nor any other governmental agency insures deposits in cryptocurrency interest-bearing accounts.

Beware of SIM Swapping

When a hacker has stolen personal information, such as your name, email, account information, and phone number they can initiate a SIM Swap, and end up wiping your cryptocurrency accounts clean. This starts when the hackers contact your cell service provider to switch SIM card identities (like when you upgrade your phone). When the SIM card is swapped, a different phone is activated to operate as the phone associated with your phone number. Then, the hacker proceeds to reset the passwords on your cryptocurrency accounts utilizing two-factor authentication texts. Once they have reset your accounts, they can transfer all of your coins to themselves. Once complete these transactions are

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traceless and irreversible. You will lose your initial investment as well as any gains. Even reputable cryptocurrency companies cannot reverse crypto transfers sent off their platform. Unlike traditional banks or credit card companies, once cryptocurrency transfers are confirmed on the blockchain, they are permanent.

So what can you do to protect yourself from cryptocurrency-related scams?

- **Research 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 DFISecurities@dfi.wisconsin.gov for more information.
- **Contact your cell phone provider** to see if they offer a phone number lock service that prevents the transfer of your phone number to another phone without added security steps.
- **Be wary of guarantees and big promises.** Scammers often promise you’ll make money quickly, or that you’ll get big payouts or guaranteed returns. They might offer you free money paid in cash or cryptocurrency. Don’t buy it.
- **Check your credit report** frequently to look for evidence of identity theft online at www.annualcreditreport.com. When criminals have access to your personal and account information, they can steal your money and investments.
- **Check DATCP’s data breach webpage**, if you have been the victim of a data breach you may qualify for identity theft protection services. https://datcp.wi.gov/Pages/Programs_Services/DataBreaches.aspx

For more information, or to file a consumer complaint, email datcphotline@wi.gov, call (800) 422-7128, or visit https://datcp.wi.gov/Pages/Programs_Services/FileConsumerComplaint.aspx.

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