



ARIZONA CORPORATION COMMISSION

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INVESTOR ALERT:

Commission Issues Warning about Digital Currency Investments

PHOENIX, AZ—In the midst of heightened attention upon digital currency, the Arizona Corporation Commission today is warning Arizonans that investments based upon virtual money present real risks, including the possibility of being “bitconned.”

The Commission is concerned that promoters, capitalizing on the increasing popularity and acceptance of digital currencies, will attract investors anxious to jump on the bandwagon of this ground-breaking technology, which could potentially provide fertile soil for con artists growing a new crop of investment scams. The Commission cautions investors that even with legitimate issuers, an investment involving digital currency is considered high-risk due to the following characteristics:

- Price volatility—Due to high levels of speculation, no central banking authority controlling supply, and low levels of retail usage, digital currencies are experiencing wild price fluctuations.
- Complexity— Given the complicated mathematical algorithms that determine when new blocks of digital currency will be released, the concept is difficult to understand and the investment is difficult to value.
- Hacking—A malicious source could potentially hack into a digital currency exchange or a consumer’s virtual wallet to steal money.
- Changes to source code— Transactions are made by sending digital currency from one virtual wallet to a unique code associated with another wallet in a cryptographic process that is verified by computers across the currency’s network. Potential changes to software or protocol could adversely affect the digital currency’s value.
- Lack of tangible assets— Digital currencies exist only on a computer that utilizes the Internet to facilitate the transaction and provide no real assets that have resale value.

Additionally, digital currencies may provide a certain degree of anonymity, which unscrupulous promoters may be able to exploit to conceal their real identities and perpetuate a fraudulent securities offering.

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission’s Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9 (837-4399). The Securities Division’s investor education website also has helpful information at www.azinvestor.gov.

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