

Digital Money Warning: State issues consumer alert

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The Oregon Division of Financial Regulation is warning Oregonians to use caution when investing in cryptocurrencies, nonfungible tokens, or other new or volatile products.

According to an online broad definition, a cryptocurrency is virtual or digital money that takes the form of tokens or coins.

Cryptocurrencies are digital assets that have no government backing. They are typically purchased, used, stored, and traded electronically through digital currency exchanges. They can be traded for goods and services, transferred from one person to another, or held for investment purposes.

A nonfungible token – or NFT – is a unique unit of data that is not interchangeable and is stored on a blockchain. They are often linked to digital works of art, photos, and videos.

There are nearly 10,000 active cryptocurrencies and they and NFTs are increasing in popularity. Regulation of these new asset types is still evolving. While there are often promises of big returns consumers often lose money when investing in them.

In fact, earlier this month, the North American Securities Administrators Association (NASAA) released its annual list of top investor threats, and investments tied to cryptocurrencies and digital assets topped the list.

“Scams promising big returns on cryptocurrencies and NFTs are flooding the Internet,” Oregon Division of Financial Regulation Administrator TK Keen said. “Investors wanting to purchase cryptocurrencies and NFTs should do their homework to make sure they fully understand these investments and their risks before getting involved.”

The Oregon Division of Financial Regulation encourages Oregonians to follow these specific recommendations before investing in cryptocurrency or NFTs:

Carefully research these types of investments. Many of these “investment opportunities” are speculative in nature. Before engaging in a transaction, make sure that you understand what you are purchasing, the value of the item purchased, the reason for the valuation, and how easy it is to sell the investment if you want to get out your money.

Use a digital currency exchange that is licensed with the state to transmit cryptocurrency to someone else. Oregon law requires companies that transfer digital currency from one person to another to be licensed as money transmitters. Digital currency exchange companies that purchase or sell cryptocurrency from their own inventories are not required to be licensed.

Do not spend money you need. The volatility of the digital currency and NFT markets means that you should not purchase cryptocurrency with money that is needed for essential purposes such as food, housing, and gas.

Consumers who have questions about these unregulated assets can call the division’s advocates toll-free at 866-814-9710.