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Virtual Currency Investor Advisory Alert
What's in your e-Wallet?

(Anchorage, AK)– The State of Alaska Division of Banking and Securities is issuing an investor advisory related to the risks associated with virtual currencies. Virtual currency, including digital and crypto-currency, are gaining investment popularity and criticism.

Virtual currency is an electronic medium of exchange that can be bought or sold through virtual currency exchanges and used to purchase goods or services where accepted. These currencies are stored in an “electronic wallet,” also known as an e-Wallet (a digital system allowing payments via computer or mobile device). “Unlike traditional currency, these alternatives are not typically backed by tangible assets, are not issued by a governmental authority, and are subject to minimal regulation,” Kevin Anselm, Director, Division of Banking and Securities said. “The value of virtual currencies is highly volatile and the financial experts find the concept difficult to understand. Investors should be aware that investments incorporating virtual currency present very real risks.” Recently, one of the largest Bitcoin exchanges, MtGox, shut down after claiming to be the victim of hackers and losing more than $350 million of virtual currency.

According to the agency’s alert, common concerns investors should consider regarding investing in virtual currency include:

• Virtual currency is subject to minimal regulation, susceptible to cyber-attacks and there may be no recourse should the virtual currency disappear.
• Virtual currency accounts are not insured by the Federal Deposit Insurance Corporation (FDIC), which insures bank deposits up to $250,000.
• Investments tied to virtual currency are highly volatile.
• Investors in virtual currency are dependent upon unregulated companies that may be more susceptible to fraud and theft than regulated financial institutions.
• Investors are responsible to protect their own computer security systems, as well as security systems provided by third parties, to guard their e-Wallets from theft.

For more information concerning the risks associated with virtual currency, contact the Division of Banking and Securities at (907) 269-8140. The Division of Banking and Securities is tasked with protecting consumers in the State of Alaska. For additional information, please visit http://commerce.alaska.gov/dnn/dbs/Home.aspx.

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