ALABAMA SECURITIES COMMISSION
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ALABAMA SECURITIES COMMISSION ISSUES INVESTOR ADVISORY ON VIRTUAL CURRENCY

It pays to know what's in your e-Wallet

MONTGOMERY, ALABAMA (April 29, 2014) The Alabama Securities Commission (ASC) today issued an investor advisory to cautioning investors to consider the risks associated with virtual currencies. The attached advisory and all previous investor alerts/warnings may also be viewed at **www.asc.alabama.gov**. ASC previously released a public warning on February 25, 2014, just prior to the collapse of the Mt. Gox bitcoin exchange.

Virtual currency, which includes digital and crypto-currency are gaining in both popularity and controversy. Growing numbers of merchants, businesses and other organizations currently accept Bitcoin, one example of crypto-currency, in lieu of traditional currency.

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, which is a digital system that allows payments online via a computer or mobile device such as a smartphone.

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. Despite the controversy, virtual currency may find its way into your e-Wallet.

"Unlike traditional currency, these alternatives typically are not backed by tangible assets, are not issued by a governmental authority and are subject to little or no regulation," ASC Director, Joseph Borg said. "The value of virtual currencies is highly volatile and the concept behind the currency is difficult to understand even for sophisticated financial experts. Investors should be aware that investments that incorporate virtual currency present very real risks."

According to the agency's alert, some common concerns investors should consider before investing in any offering containing 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.

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- Investments tied to virtual currency may be unsuitable for most investors due to their volatility.
- Investors in virtual currency will be highly reliant upon unregulated companies that may lack appropriate internal controls and may be more susceptible to fraud and theft than regulated financial institutions.
- Investors will have to rely upon the strength of their own computer security systems, as well as security systems provided by third parties, to protect their e-Wallets from theft.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

For more information about the risks associated with virtual currency, contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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