



William Francis Galvin
Secretary of the Commonwealth

Contact: Debra O'Malley
Telephone: 617-727-9180

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SECRETARY GALVIN WARNS ABOUT BITCOIN MANIA

Secretary of the Commonwealth William F. Galvin today warned investors not to get caught up in Bitcoin speculation.

“Bitcoin is just the latest in a history of speculative bubbles that most often burst, leaving the average investors with a worthless product,” Secretary Galvin said. “Going back to the 1600s with tulip mania to the present Bitcoin craze, chasing the next best thing will, more often than not, end in disaster for the average investor.”

Bitcoin futures began trading on the Chicago Board Options Exchange (CBOE) on December 10, 2017. Bitcoin has also been the target of major hacks at the exchange and wallet levels, leaving many Bitcoin holders with huge losses. Because trading on the CBOE gives Bitcoin an air of legitimacy, investors must be aware of the inherent risks of investing in Bitcoin and the fraudulent schemes associated with it, Galvin’s office warned.

Bitcoin continues to attract intense media attention as the price of Bitcoin dips and soars. Conflicting information about Bitcoin abounds, with some calling it a “craze” or a “bubble” and others touting it as an amazing investment.

Before purchasing in Bitcoin, Secretary Galvin’s office suggests investors consider the following:

1. Bitcoin and other virtual currencies are not regular money, as they are not backed by the United States or any other government or central bank.

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2. Carefully investigate the seller before making a purchase of Bitcoin. You may want to consider what recourse you would have, in case something goes wrong. Compare the fees and costs associated with Bitcoin purchases and ask about the terms for redeeming Bitcoin into regular money.
3. Virtual wallets used to store Bitcoin do not provide the same safeguards as deposits made at a traditional banking institution. Unrecoverable losses can occur when Bitcoin is stolen from these virtual wallets.
4. Bitcoin values fluctuate enormously and can do so in a very short period of time. Be prepared for radical value changes in your Bitcoin investment, including single day drops or increases in the thousands of dollars.
5. Bitcoin investing is generally considered to be speculation, since the value is not related to any economic or financial parameters. Never speculate with money that you cannot afford to lose.
6. Bitcoin and other virtual currencies are based on a public ledger called the “Blockchain,” which is still experimental and is subject to changes, errors, or criminal activity which could adversely affect your virtual wallet or erase your Bitcoin value.
7. The unregulated and ambiguous nature of Bitcoin provides a fertile ground for investment scams and other financial fraud, which can cause Bitcoin investors to lose their money.

Anyone wishing to check the registration status of someone offering to sell Bitcoin or other products tied to Bitcoin may contact Secretary Galvin’s Securities Division at 1-800-269-5428. Additional information may be found on Secretary Galvin’s website, www.sec.state.ma.us.

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