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# State Regulations Alert Consumers About Risks Involved With Investing In Virtual Currencies

SANTA FE—New Mexico Securities Division and New Mexico Financial Institutions Division are warning consumers and investors about the risks associated with trading and investing in virtual currencies. Together, these two agencies protect consumers and the marketplace from fraud and other financial crimes..

"We are evaluating the developing market for Bitcoin and other forms of virtual currency, said Alan Wilson, Director of the New Mexico Securities Division. "We are studying how virtual currency is used to pay for products or services and how consumers are invited to invest in virtual currency as a commodity. Both uses have certain attractions, and both have definite risks."

Virtual currency, including digital and crypto-currencies, such as Bitcoin, are gaining in popularity and controversy.

The currency can be bought or sold online through currency exchanges, and used to purchase goods or services where accepted. A growing number of merchants are accepting Bitcoin in addition to traditional currency. Virtual currency is stored in an electronic wallet, known as an e-Wallet, which facilitates payments online via a computer or mobile device, like a smartphone.

Cynthia Richards, Financial Institutions Director, noted "State consumers are encouraged to become educated before using or investing in virtual currency. This type of currency is only as dependable as the business platform creating it, so *do your homework* before entering into any virtual currency transaction".

Recently, one of the largest Bitcoin exchanges, Mt. Gox, shut down after claiming it had lost more than \$350 million of virtual currency after being hacked. Mt. Gox will be liquidated and its assets distributed to creditors. Investors may never see their money again.

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“The value of virtual currencies depends entirely on the agreement among the private parties using it, as there is no governmental backing and no governmental standards. It is an extremely volatile market, given the total absence of lawful standards. Before putting any money into such currencies, you should carefully consider those risks,” said Wilson.

Since Bitcoin was first introduced in 2009, its value has fluctuated dramatically. With an overall-upward trend, Bitcoin has become attractive to speculative investors. But due to its complex and currently unregulated status, consumers and investors should become knowledgeable about this complex new field before making any investment decisions, warn Wilson and Richards.

Before investing in any offering containing virtual currency, consider:

- Virtual currency is subject to minimal regulation. Accounts are not insured by the Federal Deposit Insurance Corporation (FDIC), which insures bank deposits up to \$250,000.
- Virtual currency is susceptible to cyber-attacks. There may be no recourse should the virtual currency disappear.
- Investments tied to virtual currency are volatile and may be unsuitable for most investors.
- Investors in virtual currency must rely upon unregulated companies that may lack appropriate internal controls and be more susceptible to fraud and theft than regulated financial institutions.
- Investors must rely upon the strength of their own computer security systems, and third parties security systems, to protect their e-Wallets from theft.

For more information about the risks associated with virtual currency, please call the state’s Red Flags hotline: 1-800-704-5533.

The Financial Institutions Division regulates state-chartered banks, trust companies, savings & loans, credit unions, mortgage loan companies, small loan companies, and escrow companies. The Division also licenses small loan companies, collection agencies, mortgage firms and escrow companies.

The Securities Division protects New Mexicans from fraud and financial abuse by licensing investment professionals, registering securities offerings, providing educational programs to the public, and investigating fraud and other violations of the state securities laws. To learn more about investment fraud, visit the division’s website at [www.redflagsnm.com](http://www.redflagsnm.com).

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