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CFTC Issues Customer Advisory on Digital Tokens

New Guidance Alerts Customers to Use Caution and Research before Purchasing Virtual Coins or Tokens

Washington, DC — The Commodity Futures Trading Commission (CFTC) today issued a Customer Advisory (https://www.cftc.gov/sites/default/files/2018-07/customeradvisory_tokens0718.pdf) warning customers to use caution and do extensive research before purchasing virtual coins or tokens, including those that are self-described as “utility coins,” or “consumption coins.” This is the fourth advisory about virtual currencies the CFTC has issued to give customers a greater understanding of virtual currencies.

“This advisory is part of the CFTC’s education and outreach efforts to help educate and inform market participants, who, given the pace of technology-driven change, will increasingly come in contact with new financial products and services,” said Erica Elliott Richardson, Director of the Office of Public Affairs and Office of Customer Education and Outreach. “The CFTC’s Office of Customer Education and Outreach closely coordinates with LabCFTC in order to keep pace with developments in the markets the CFTC regulates, and we look forward to staying ahead-of-the-curve in providing customers the information they need to protect themselves against fraud or manipulation in the marketplace.”

The advisory, titled “Use Caution When Buying Digital Coins or Tokens,” (https://www.cftc.gov/sites/default/files/2018-07/customeradvisory_tokens0718.pdf) warns customers to view any promises or guarantees of future value as a “red flag.” Since this market is still very new, there is no commonly accepted standard to assigning a value on a particular virtual coin or token. This is an important reason to beware of coins or tokens sold today with the claim that they can buy goods, services, or platform access in the future. Also, businesses that are still in the proposal stage may use funds from coin sales to start or grow their ventures. The advisory provides important factors for customers to weigh that could impact the current or future value of a coin or token.

Protect Yourself: Do Your Research

Above all, the advisory emphasizes **research**. A customer’s best protection is to thoroughly research both the digital coins or tokens and the individuals, entities and affiliates who are offering the products. If information about the product offeror is not easily and readily available, the customer should be wary because purchasing these products can be considerably risky.

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The CFTC maintains general anti-fraud and manipulation enforcement authority over virtual currency cash markets as a commodity in interstate commerce. For more information about virtual currencies, including Customer Advisories, Podcasts, Primers and more, visit [CFTC.gov/Bitcoin](https://www.cftc.gov/Bitcoin) (<https://www.cftc.gov/Bitcoin/index.htm>).

CFTC Customer Advisories on Virtual Currencies:

- Beware Virtual Currency Pump-and-Dump Schemes (https://www.cftc.gov/sites/default/files/idc/groups/public/%40customerprotection/documents/file/customeradvisory_pumpdump0218.pdf) highlights virtual currency pump-and-dump schemes that occur in the largely unregulated cash market for virtual currencies and digital tokens, and typically on platforms that offer a wide array of coin pairings for traders to buy and sell.
- Beware of “IRS Approved” Virtual Currency IRAs (https://www.cftc.gov/sites/default/files/idc/groups/public/%40customerprotection/documents/file/customeradvisory_irs020218.pdf) is designed to encourage investors to be cautious of sales pitches touting “IRS approved” or “IRA approved” virtual currency retirement accounts. Virtual currency prices sometimes experience wild price swings. This volatility is not reduced or limited just because the virtual currencies are held in an IRA.
- Customer Advisory: Understanding the Risks of Virtual Currency Trading (https://www.cftc.gov/sites/default/files/idc/groups/public/@customerprotection/documents/file/customeradvisory_urvct121517.pdf) informs the public of possible risks associated with investing or speculating in virtual currencies or recently launched Bitcoin futures and options.

The CFTC has also issued several customer protection Fraud Advisories (<http://www.cftc.gov/ConsumerProtection/FraudAwarenessPrevention/CFTCFraudAdvisories/index.htm>) that provide the warning signs of fraud covering Commodity Pools, Precious Metals, Foreign Currency, and Binary Options, among other areas.

Customers can report suspicious activities or information, such as possible violations of commodity trading laws, to the CFTC Division of Enforcement via a Toll-Free Hotline 866-FON-CFTC (866-366-2382) or file a tip or complaint (<http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>) online.