

**Louisiana Office of Financial Institutions**

**Securities Division**

***Investor Alert***

**Virtual Currencies (Bitcoin)**

Virtual currencies have recently become popular. Bitcoin is the most prevalent virtual currency in use, and may be used to purchase certain goods and services online. However, Bitcoins may also be traded for conventional currencies, including the U.S. dollar, via online exchanges. This ability to trade Bitcoins has resulted in opportunities for investing in the virtual currency with the expectation of profiting on changes in exchange rates. As with most new investment opportunities, there is also the possibility that fraud may exist.

On July 23, 2013, The Securities and Exchange Commission (SEC) charged a Texas man and his company with defrauding investors in a Ponzi scheme involving Bitcoin. The SEC alleges that Trendon T. Shavers, who is the founder and operator of Bitcoin Savings and Trust (BTCST), offered and sold Bitcoin-denominated investments through the Internet. Shavers raised at least 700,000 Bitcoin through BTCST, which equated to more than \$4.5 million U.S. dollars based on the average price of Bitcoin when the investments were offered and sold. Shavers allegedly promised investors up to 7 percent weekly interest based on BTCST's Bitcoin market trading activity. Instead, the SEC alleges that BTCST was a Ponzi scheme in which Shavers used Bitcoin from new investors to make purported interest payments to previous investors and cover investor withdrawals. Shavers also allegedly diverted investors' Bitcoin for day trading in his account on a Bitcoin currency exchange, and exchanged investors' Bitcoin for U.S. dollars to pay his personal expenses.

Consumers should wary of any investment opportunity promising high rates of return with little or no risk. This is particularly true of unregistered products offered on the Internet by unregistered promoters. Consumers are urged to contact Louisiana's Office of Financial Institutions (OFI) to check the registration status of any investment they are considering, as well as the status of the individual or company promoting the investment.

*Office of the Governor*

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See *free* investment fraud information and resources at [www.ofi.la.gov/SecuritiesInvestorEd.htm](http://www.ofi.la.gov/SecuritiesInvestorEd.htm)