Know The Basics About Virtual Currencies

(NAPSA)—The recent run-up in price for Bitcoin and other virtual currencies has piqued investors' interest. However, the U.S. Commodity Futures Trading Commission (CFTC) advises investors to understand the risks that go with virtual currencies before adding them to their portfolios.

What is Bitcoin?

Bitcoin is a convertible virtual currency. Virtual currency is a digital representation of value that may function as a medium of exchange, a unit of account, and/or a store of value.

The Commodity Futures Trading Commission helps investors learn about virtual currencies and their possible risks.

Is Bitcoin a commodity?

Yes, Bitcoin and other virtual currencies have been determined to be commodities under the Commodity Exchange Act (CEA).

Does the CFTC oversee Bitcoin?

The CFTC's jurisdiction is implicated when a virtual currency is used in a derivatives contract, such as futures or options contracts. The CFTC's oversight over commodity cash markets is limited. The CFTC maintains general anti-fraud and manipulation enforcement authority over virtual currency cash markets as a commodity in interstate commerce.

What risks come with virtual currencies?

While virtual currencies may have potential benefits, purchasing virtual currencies on the cash market—spending dollars to purchase Bitcoin for your personal wallet, for example—comes with a number of significant risks, including:

- Most cash markets are not regulated or supervised by a federal government agency.
- Platforms in the cash market may lack system safeguards, including customer protections.
- Cash market manipulation.
- Platforms selling from their own accounts and putting customers at a disadvantage.
- Price volatility risks.
- Cybersecurity risks.

What do I do if I suspect fraud?

To report suspicious activity, contact the CFTC at (866) 366-2382, consumers@cftc.gov, or visit SmartCheck.gov/SubmitaTip.

For more information, visit www.cftc.gov/bitcoin.

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