

## Understand Cryptocurrency Risks: BCSC Advises Investment Caution with Cryp Trade

Jessica L. Lewis

March 14, 2018

Last month, the British Columbia Securities Commission (the “BCSC” or the “Commission”) published an investment caution for Cryp Trade Holdings SL (“Cryp Trade”). Cryp Trade claims to be located in Spain and also offers an online cryptocurrency platform and cryptocurrency investment portfolios.

The Commission issued the warning when it became aware that the foreign company was targeting BC residents. Cryp Trade is not registered to trade in, or advise on, securities or exchange contracts in British Columbia.

Cryptocurrencies are a recent advent and, as such, have not as of yet been the subject of significant regulatory review or enforcement. While digital currencies were initially publicized as a fast and inexpensive way to pay online, the technology has been extrapolated and many cryptocurrencies are now being marketed as investment opportunities. The utilization of cryptocurrencies as a form of investment brings with it novel issues for both regulators and investors alike.

### The Risks

While cryptocurrency is an exciting development in the financial technology realm – and its supporters valorize the advent as solving a host of issues common to traditional currency and securities – it is not without its own risks and regulators are taking note.

Recently, the United States Federal Trade Commission highlighted risks for individuals that they should be aware of prior to purchasing cryptocurrencies as an investment:

- **Cryptocurrencies aren’t backed by a government or central bank.** Unlike most traditional currencies, such as the dollar or yen, the value of a cryptocurrency is not tied to promises by a government or a central bank.
- **If you store your cryptocurrency online, you don’t have the same protections as a bank account.** Holdings in online “wallets” are not insured by the government like bank deposits are.
- **A cryptocurrency’s value can change constantly and dramatically.** An investment that may be worth thousands of dollars on Tuesday could be worth only hundreds on Wednesday. If the value goes down,

# Cassels

there's no guarantee that it will rise again.

- **Nothing about cryptocurrencies makes them a foolproof investment.** Just like with any investment opportunity, there are no guarantees.
- **No one can guarantee you'll make money off your investment.** Anyone who promises you a guaranteed return or profit is likely scamming you. Just because the cryptocurrency is well-known or has celebrities endorsing it doesn't mean it's a good investment.
- **Not all cryptocurrencies or the companies behind them are the same.** Before you decide to invest in a cryptocurrency, look into the claims the company is making. Do an internet search with the name of the company and the cryptocurrency with words like review, scam, or complaint. Look through several pages of search results.

## Conclusion

Cryptocurrencies are exciting, and there are a number of legitimate and worthwhile investments in this sphere. However, individuals looking to take advantage of these types of investment opportunities should be properly informed of both the potential benefits and risks.

## We Can Help

For more information about how Cassels can assist with your business, please contact Brigeeta Richdale, Jessica Lewis or another member of our firm's cross-disciplinary Emerging Companies Group.

---

*This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.*