

# CRYPTOCURRENCY RESOURCES

FLORIDA DEPARTMENT OF FINANCIAL SERVICES  
Division of Consumer Services

## Consumer Financial Protection Bureau (CFPB)

Report financial product or service complaints at

[www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint)

## CFPB's Complaint Bulletin: An analysis of consumer complaints related to crypto-assets

This report finds that fraud, theft, hacks, and scams are a significant problem in crypto-asset markets, as are transaction problems, including frozen accounts and inability to access assets.

[https://files.consumerfinance.gov/f/documents/cfpb\\_complaint-bulletin\\_crypto-assets\\_2022-11.pdf](https://files.consumerfinance.gov/f/documents/cfpb_complaint-bulletin_crypto-assets_2022-11.pdf)

## U.S. Commodities Futures Trading Commission

Bitcoin and other virtual currency information and resources

[www.cftc.gov/bitcoin](http://www.cftc.gov/bitcoin)

## U.S. Securities and Exchange Commission

Information and resources for individual investors regarding cryptocurrency

<https://www.investor.gov/howeycoins>

## North American Securities Administrators Association

Investor Advisory on initial coin offerings (ICOs)

<http://www.nasaa.org/44836/informed-investor-advisory-initial-coin-offerings/>



[www.MyFloridaCFO.com/Division/Consumers](http://www.MyFloridaCFO.com/Division/Consumers)

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# CRYPTOCURRENCY

WHAT IT IS AND HOW IT WORKS

## WHAT IS CRYPTOCURRENCY?

Cryptocurrency is electronic money that is not backed by any government or central bank. Although rare, metal coins that serve as a physical manifestation of cryptocurrency do exist. These coins are similar to gift cards in that they do not hold intrinsic value, instead their value is found in the hidden private key they possess. The private key gives access to the amount of cryptocurrency purchased. Bitcoin is the most common form of cryptocurrency that consumers may be aware of.

## HOW DOES IT WORK?

Cryptocurrency is a digital file secured by a two-step encryption process. This encryption requires two 64-character alphanumeric codes that work together like a key to unlock the cryptocurrency. To use any amount of cryptocurrency, the owner must enter both of these codes, called keys.

**Public Key** – A 64 alphanumeric character code that is used to represent a specific quantity of cryptocurrency, similar to a serial number. The public key is listed in all transactions of the cryptocurrency.

**Private Key** – A 64 alphanumeric character code that is used with a coordinating public key to unlock cryptocurrency for use. This code should be kept secret by the owner and never shared publicly.

If the owner loses the private key, all access to the funds are lost and the cryptocurrency can never be used. There are no companies or government agencies that can reimburse the cryptocurrency funds. While many stores and online retailers accept cryptocurrency, it does not have status as legal tender and no party is required by law to accept them as payment. Cryptocurrencies have been determined to be commodities under the Commodity Exchange Act and cryptocurrency is taxed as an asset by the Internal Revenue Service.

Cryptocurrency values can fluctuate frequently. The value of cryptocurrency is derived from a common belief – spread largely through word-of-mouth – that the asset tendered (bitcoin, dogecoin, etc.) functions on an actual supply-and-demand model.

## RISKS

There are several risks associated with cryptocurrencies that consumers should be aware of before purchasing.

### Hackers



Owning cryptocurrency puts you at greater risk of being targeted by hackers. Hackers have been able to breach advanced security systems to access personal information based on public cryptocurrency records. Hackers may be able to find IP addresses, or physical computer locations, associated with cryptocurrency transactions. Any computer that stores private keys is a target for hackers.

### Fewer Legal Protections



The government does not insure cryptocurrency accounts. The Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund protects consumers if certain banks or credit unions fail. However, this does not apply to cryptocurrency accounts. If a cryptocurrency exchange company fails, the government will not cover your losses.

### Scams



Scammers have started taking advantage of consumers in the cryptocurrency market by creating fake opportunities. Many of these scams encourage consumers to invest in a brand-new cryptocurrency coin in an Initial Coin Offering and consumers find out later that the cryptocurrency coin does not really exist.

If you encounter a problem with virtual currency or a virtual currency company, submit a complaint to the Consumer Financial Protection Bureau at [www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint).

For more information on cryptocurrency, visit the Florida Department of Financial Services Consumer Protections page: [www.MyFloridaCFO.com/Division/Consumers/ConsumerProtections/Cryptocurrency](http://www.MyFloridaCFO.com/Division/Consumers/ConsumerProtections/Cryptocurrency).