

US agency warns consumers about Bitcoin risks

August 11 2014, by Josh Boak

Federal regulators are warning consumers about the risks of using virtual currencies such as Bitcoin.

The Consumer Financial Protection Bureau said Monday that it will begin fielding complaints from people who rely on products such as Bitcoin and online exchanges for such currencies.

In issuing an advisory [warning](#), the agency noted that the currencies are not backed by the government, have volatile exchange rates and are targeted by hackers and scammers. And unlike [bank accounts](#), Bitcoin-based deposits are not federally insured.

"Consumers are stepping into the Wild West," CFPB Director Richard Cordray said in a statement.

Still, Cordray acknowledged that [virtual currencies](#) "may have potential benefits," noting that they facilitate online transactions by making it easier to process payments.

The Securities and Exchange Commission previously issued an investor alert about Ponzi schemes involving virtual currencies.

Advocates for virtual currencies said they thought the CFPB's characterization of the currencies was generally fair.

Jim Harper, global policy counsel for the Bitcoin Foundation, called the

CFPB's warning "pretty standard." He noted that it's "helpful to the extent that it informs consumers without scaring them."

"There are consumer risks around new technologies, and even-keeled educational material from government agencies can help make consumers aware and savvy," Harper said.

The CFPB's warning noted that Bitcoin prices can be highly volatile. In one day last year, it said, prices dropped as much as 61 percent.

But Harper said such volatility should wane in the next 10 to 15 years if virtual currencies become more common.

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