



What to Know About Cryptocurrency



Cryptocurrency fraud and scams have resulted in individual losses of millions of dollars. There is little to no regulation around cryptocurrency. Buy, use, and invest with caution.

What is cryptocurrency?

Cryptocurrency is a computer-based digital asset that works as a monetary system. Records of who owns “crypto,” in what quantities, and with whom they trade are stored in a public ledger called a **blockchain** created and maintained by networks of computers. There is no centralized cryptocurrency database or guarantor.

How is cryptocurrency different from U.S. dollars?

Cryptocurrency accounts are not backed by any government. Cryptocurrency held in accounts are **not** insured like U.S. dollars deposited into an FDIC insured bank account. Cryptocurrency values can also change drastically by the minute and hour, and the amount of change can be significant.

What is an NFT?

Non-fungible tokens (NFTs) are not cryptocurrency, but function in similar ways and are based on the same blockchain technology. Despite what some users say, they are also prone to scams and fraud.

What is a seed phrase?

A seed phrase (or recovery/backup phrase) is a master password consisting of 12–24 random words that acts as the ultimate backup for a cryptocurrency wallet, allowing users to recover all assets if a device is lost or destroyed.

SIM Swapping and Multi-Factor Authentication

If a digital wallet is only secured with multi-factor authentication (MFA), it can be susceptible to a SIM swapping attack, where attackers trick mobile carriers into transferring a victim's phone number to a new SIM card under their control. This allows them to intercept one-time MFA codes sent in text messages to hijack accounts and steal assets.

How do you acquire cryptocurrency?

You can buy cryptocurrency through an exchange, an app, a website, or even a traditional trading platform. Some people earn cryptocurrency through a complex process called “mining,” which requires advanced computer equipment to solve highly complicated math puzzles.

Where and how do you store cryptocurrency?

Cryptocurrency can be stored in a digital wallet online, or on a physical wallet like a thumb drive or hard drive. A wallet has a unique address, which is usually a long string of numbers and letters. If something happens to your online wallet, such as your online exchange platform going out of business, or your digital wallet is stolen or compromised, you’re likely to find that no one can step in to help you recover your funds. If a physical wallet is lost, stolen, or compromised, it can be recovered with a “seed phrase.”

Why do people use cryptocurrency?

People use cryptocurrency for many reasons: quick payments, to avoid transaction fees that traditional banks charge, or because it offers some anonymity. Others hold cryptocurrency as an investment, hoping its value rises. But investors should know that cryptocurrency transfers may be untraceable and

irreversible, making users a target for scammers. Unlike traditional savings accounts, cryptocurrency deposit accounts come with big risks.

Paying with Cryptocurrency

Cryptocurrency payments **do not** come with legal protections like the Fair Credit Reporting Act or FDIC insurance. Cryptocurrency payments are not reversible, as only new transactions can be recorded on a blockchain. Details of these transactions including transaction amount, sender's wallet address, and recipient's wallet addresses may be public for anyone to view.

Investing in Cryptocurrency

Research all investments before making any financial decisions. The Wisconsin Department of Financial Institutions (DFI) encourages investors to do their homework, ask questions, and contact DFI's Division of Securities at (608) 266-2139 or DFISecurities@dfi.wisconsin.gov for help.

Virtual Currency Kiosks (Bitcoin ATMs)

A virtual currency kiosk, sometimes called a Bitcoin ATM or crypto ATM, is a physical terminal, often located in retail spots like gas stations, that allows users to buy or sell cryptocurrencies using cash or debit cards.

Scammers also convince consumers to use these kiosks to deposit their life savings for "safety" or to keep it "secure." Scammers may refer to cryptocurrency kiosks as "government deposit portals," "secure kiosks," "safety lockers," or other made-up names meant to mislead consumers into a false sense of trust and security.

Once cryptocurrency is purchased the scammer will often have the consumer scan a QR code or manually enter a wallet address to initiate a transfer. The cryptocurrency will immediately be transferred to another wallet, and it becomes very difficult for the funds to ever be recovered.

In 2026, Wisconsin enacted a law which regulates cryptocurrency kiosks and allows a consumer to recoup their money if:

1. The customer was fraudulently induced to engage in the transaction, and
2. Within 30 days after the transaction, the customer contacted the virtual currency kiosk operator and a government or law enforcement agency to inform them of the fraudulent nature of the transaction.

Red Flags of a Cryptocurrency Scam

- Demands for payment in cryptocurrency
- Investment guarantees of profits or returns
- An online friend offering investment advice related to cryptocurrency
- Instructions to insert money into a virtual currency kiosk

What To Do if You Lost Money in a Cryptocurrency Scam

- File a report with the Federal Bureau of Investigation at ic3.gov as soon as possible.
- Notify your local law enforcement agency.
- File a complaint with the Wisconsin Department of Financial Institutions at dfi.wi.gov.

For more information visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison, WI 53708-8911

Email: DATCPHotline@wi.gov

Website: datcp.wi.gov

Phone: (800) 422-7128

TTY: Dial 711 or (800) 947-3529 before calling DATCP



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