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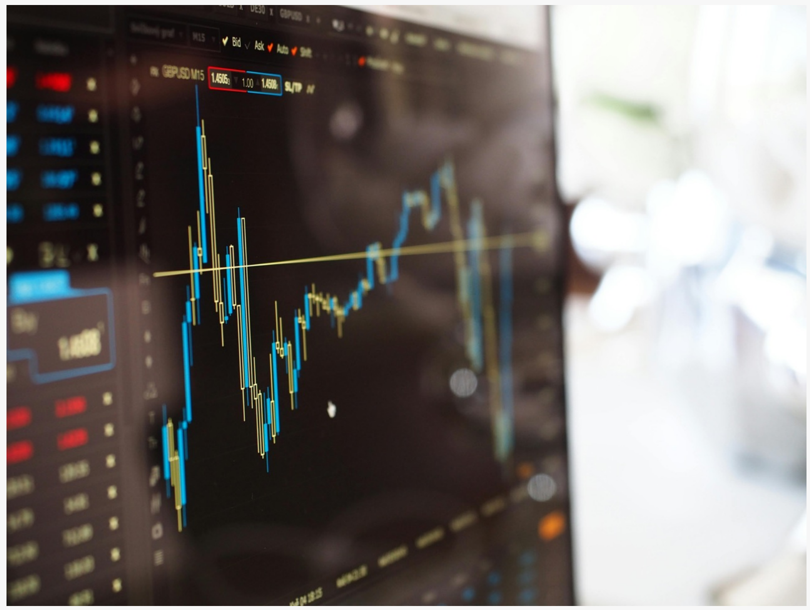

SAN FRANCISCO, CALIFORNIA , UNITED STATES, March 26, 2024 /EINPresswire.com/ -- With Bitcoin returning to and surpassing its all-time high price breaking $70,000 USD recently, and the Securities and Exchange Commission (SEC) approving the first exchange-traded funds (ETFs) that hold Bitcoin, the digital currency investment field still contains substantial risks.

While the SEC gave the green light to eleven Exchange-Traded Funds (ETFs) that hold Bitcoin, it remains skeptical, and insists its decision does not amount to an endorsement of Bitcoin. Bitcoin losses through fraud, scams, and hacks have exceeded over $1 Billion dollars and claimed over 46,000 victims, according to the Federal Trade Commission (FTC).

While some institutions that handle Bitcoin, Ethereum, and other digital currency transactions are increasingly regulated, others, especially some overseas, may see little or no regulation. With digital currencies, many of the protections typically provided by traditional bank accounts are often absent, such as FDIC insurance. Banks may also have more options in some cases to reverse transactions, track funds, and identify holders of accounts receiving funds. Overseas parties accounted for a significant portion of crypto theft activity, including North Korea-based groups which according to Chainalysis account for $1.65 Billion in stolen funds in 2022 and $340 million in 2023.

The novel and complex environment also makes the crypto field ripe for investment fraud and losses. Business and investment disputes among those involved in digital currency startup, partnership, corporate, and securities deals can create substantial legal challenges and litigation for Bitcoin and cryptocurrency dispute and investment fraud attorneys. Sponsors and promoters of Bitcoin and other investments, including Initial Coin Offerings (ICOs), sometimes offer such investments to unaccredited investors in unregistered private placements, often sold by dealers not licensed by the Securities and Exchange Commission, triggering possible liability risks if such investments do not perform as expected. With the Global Crypto Hedge Fund Report stating 29% of traditional hedge funds invested in crypto in 2023 with average allocation of crypto assets managed increasing from 4% to 7%, the need for investors and professionals to understand the digital currency field is clear.

The Financial Industry Regulatory Authority (FINRA), which regulates securities broker-dealer firms has issued multiple notices to member firms and associated persons on the subject matter. Regardless that a crypto asset may or may not meet the definition of a “security” under federal securities laws, FINRA continues to update its regulatory activities, including regarding reporting and supervisory obligations. In January 2024, FINRA announced that it identified communications rule violations in 70 percent of crypto asset communications reviewed, which may be bad news for investors, and may lead to increased related cases filed with FINRA arbitration for investment advisor and broker negligence and fraud. FINRA arbitration attorney Daniel Bakondi handles investment loss recovery in securities and crypto, and says he expects to see Bitcoin arbitrations increase as registered broker-dealers become more involved with digital currency product investments.

Nothing in this communication constitutes legal or financial advice.

Sources include:

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