

Investor Advisory: Crypto Asset Interest-Bearing Accounts

Crypto assets, including cryptocurrencies, stablecoins, tokens, and other digital assets have been of increasing interest to individual investors over the last few years. This Investor Advisory highlights the risks that may be involved in a new financial product related to crypto assets—an interest-bearing account for crypto asset holdings.

Not the Same as Bank Deposits

These products may sound similar to interest-bearing accounts with a bank or credit union, but investors need to be aware that these crypto asset-related accounts are not as safe as bank or credit union deposits.

Banks and credit unions are regulated by both federal and state [banking regulators](#). Banking rules limit the amount of risk that banks and credit unions are allowed to take with your deposited funds. These rules are designed to decrease the possibility that your bank or credit union becomes insolvent and unable to provide you your funds when you want to withdraw those funds.

In addition, the [Federal Deposit Insurance Corporation \(FDIC\)](#) and [National Credit Union Administration \(NCUA\)](#) provide an additional level of protection by insuring your deposits with a bank or federal credit union. Should your bank or credit union become insolvent this deposit insurance covers your deposit up to a certain amount. Together, banking regulations and deposit insurance help to assure depositors that their money is available when they need it.

Insurance for traditional securities accounts.

Similar to deposit insurance, securities accounts that you hold with a U.S.-registered [broker](#) may also be insured by the [Securities Investor Protection Corporation \(SIPC\)](#) up to a certain amount for losses related to the broker going out of business. SIPC does not protect you against losses caused by a decline in the market value of your securities nor does it protect for the loss of most crypto assets, or any investment contracts not [registered](#) with the SEC.

Companies offering interest-bearing accounts for crypto assets do not provide investors with the same protections as do banks or credit unions, and crypto assets sent to those companies are not currently insured. **As a result, you should not expect the same level of security, safety and soundness with these crypto asset interest-bearing accounts that you have with bank or credit union deposits.**

The Product may be an Unregistered Security

Securities Regulators have determined that under certain circumstances these accounts may be securities and have taken enforcement actions against companies that don't appropriately register them. Companies may offer accounts through which investors lend their crypto assets to the company in exchange for the promise of a monthly interest payment. Companies then pool the crypto assets and use them in various ways to generate a return in order to pay the monthly interest, including lending the crypto assets to institutional and corporate borrowers, converting to and lending U.S. dollars to retail investors, and by making investments in stocks and futures.

Risks with Crypto Asset Investments

The investing and lending activities companies deploy to earn a return in order to pay the promised interest on a crypto asset interest-bearing account carry risk. Companies are subject to the same [risks](#) that you are subject to with crypto assets, including:

- volatility and illiquidity in the crypto asset markets
- the risk that the company holding your crypto assets might fail or go bankrupt
- unpredictability, including that the market for a particular crypto asset may disappear altogether or the crypto asset may no longer be tradable anywhere
- changes in regulation by federal, state or foreign governments that may restrict the use and exchange of crypto assets
- the inability to be made whole should fraud, default or a mistake occur
- potential [fraud](#), technical glitches, [hackers](#) or malware.

Your holdings of crypto assets may be adversely affected should any of these risks be realized in the company's investment or lending activities. **You should carefully review the documents and disclosures relating to the interest-bearing account to be fully aware of the risks to your deposited assets.**

Enforcement Action by Securities Regulators:

[The North Dakota Securities Department Joins with 31 Other State Securities Regulators and the US Securities and Exchange Commission to Settle with Digital Asset Lending Platform BlockFi for \\$100 Million for Sales of Unregistered Securities](#)