



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

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Consumer Connection: What to know about cryptocurrency and securities

Topeka, Kan. - Cryptocurrency, or “crypto,” has been featured in many headlines and TV ads as it continues to grow in popularity, both as a new technology and as an investment tool. But the term itself is imprecise and has a broad meaning. Many cryptocurrency tokens are not themselves securities, but they can be used as the basis for the offer and sale of crypto-related securities. The Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, **does not directly regulate** cryptocurrency. However, the Department **does** have regulatory jurisdiction over securities products that are related to cryptocurrencies.

What does this mean? Here is an example of a security that features cryptocurrency: the crypto-interest account. These “crypto-interest accounts” offer returns on deposited cryptocurrency, similar to a more traditional bank account most of us are familiar with. Unlike your bank account however, these crypto-interest accounts lack the protections of traditional financial institutions such as financial transparency and insured deposits. Often these types of crypto products are marketed nationwide and attract billions of investor capital just like a traditional security, yet the companies themselves fail to register with the Securities and Exchange Commission (SEC) or state securities regulators.

Bottom line: Cryptocurrency or not, if it meets the definition of a security and it is being offered in Kansas, it needs to be registered.

“Regulation of the emerging market of crypto-related securities is essential to protecting Kansas investors,” Kansas Insurance Commissioner Vicki Schmidt said. “The Department will continue investigating unregistered cryptocurrency securities and pursue any violations of the Kansas Uniform Securities Act.”

As more companies offer crypto-related securities products, the Department has increased enforcement efforts by actively participating in North American Securities Administrators Association (NASAA) multistate taskforce groups focused on crypto-interest accounts. Last year, the Department entered a consent order with BlockFi as a result of these cooperative, multistate investigations.

For more guidance on crypto-related securities, visit www.nasaa.org and www.finra.org. If you suspect you have been a victim of securities fraud, please contact the Office of the Kansas Securities Commissioner at 785-296-3071 or file a complaint online [here](#). All investments carry risk, so visit SmartInvestKS.com to learn more about different types of investment and how to avoid fraud.

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The Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, regulates investment sales in Kansas--the birthplace of “Blue Sky Laws.” In 2017, the Office was merged with the Kansas Insurance Department.