



Commonwealth of Kentucky  
Public Protection Cabinet  
Department of Financial Institutions

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**FOR IMMEDIATE RELEASE**

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**FRAUD, DIGITAL ASSETS POSE RISKS TO INVESTORS**  
***DEPARTMENT OF FINANCIAL INSTITUTIONS URGES CAUTION IN 2022***

**FRANKFORT, Ky. (Jan. 19, 2022)** – The Department of Financial Institutions (DFI) today reminded Kentuckians to beware of investment fraud in 2022, as scams continue to flourish. The department also revealed that investments related to cryptocurrencies and digital assets can pose significant risks to investors.

“As Kentucky’s economy continues to strengthen and grow at a historical rate, our commonwealth and our citizens will see many promising financial opportunities,” Gov. Andy Beshear said. “It’s important for Kentuckians to carefully select investment options and investment professionals so that they save and invest in their future and avoid scammers.”

“Investors should be particularly careful about popular or trendy investment opportunities they learn about online that involve cryptocurrencies or digital assets, precious metals and promissory notes,” said Marni R. Gibson, DFI’s Director of Securities. “Many of these investments are private offerings, which do not have the same investor protection requirements as those sold through public markets.”

“Nearly one quarter of the complaints we received last year involved allegations of fraud,” Gibson noted. “While complaints in the commonwealth involved a wide variety of products, the top five categories were IRA/CD accounts; stocks and bonds; virtual currency; promissory notes; and investment contracts.”

The number of consumer complaints to DFI’s Securities Division increased by one-third last year, from 42 in 2020 to 56 in 2021. Twenty-nine percent of complaints to DFI in 2021 involved cryptocurrencies and digital assets. Cryptocurrencies and other digital assets pose significant risks because they are highly volatile and largely unregulated.

Kentucky’s top investment risks align closely with the top risks identified by the North American Securities Administrators Association (NASAA), of which Kentucky is a member. NASAA recently surveyed state and provincial securities regulators throughout the United States, Canada and Mexico. The survey found the following top threats to investors in 2022:

1. Investments tied to cryptocurrencies and digital assets.
2. Fraud offerings related to promissory notes.
3. Money scams offered through social media and internet investment offers.
4. Financial schemes connected to Self-Directed Individual Retirement Accounts.

Perhaps the most important thing investors can do to protect themselves is to make sure the investment and the people offering it are properly registered with DFI or the Securities and Exchange Commission. Kentuckians can visit <https://kfi.ky.gov> or contact DFI's Division of Securities for help with this process.

"Working with a properly registered investment professional affords investors certain legal protections," Gibson said. "In Kentucky, nearly 40% of complaints received by the Division of Securities in 2021 involved securities, firms, or individuals that were not properly registered with the department."

In addition, DFI offers the following tips to help investors identify and avoid fraud and scams:

1. **Beware of spoofed websites and fake social media accounts.** Look closely at content, when the site or account was created, the quality of engagement, and domain names.
2. **Beware of fake client reviews.** Scammers often use positive, yet bogus, testimonials supposedly written by satisfied customers.
3. **If it sounds too good to be true, it probably is.** Promises of low- or no-risk investments with high returns are often a red flag for fraud. All investments carry some degree of risk.

"Individuals offering investments are obliged to truthfully disclose all material facts, and they must disclose the risks," Gibson said. "Investors should pay close attention to high profits and payouts with minimal risk, as they could provide clues about whether an investment opportunity is legitimate."

Before making any financial decisions, ask questions, do your homework and contact the Division of Securities at (502) 573-3390 or by visiting <http://kfi.ky.gov> for more information.

For more information on NASAA's top investor threats, visit <https://www.nasaa.org/investor-education/fraud-center/top-investor-threats/>.

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*DFI, <http://kfi.ky.gov>, is an agency in the Public Protection Cabinet. For more than 100 years, it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI's mission is to serve Kentucky residents by promoting access to a stable financial industry, implementing effective and efficient regulatory oversight, enforcing consumer protections, encouraging economic opportunities and encouraging sound financial decisions through financial empowerment programs.*