

Informed investing:

Crypto facts and common questions

Since the introduction of Bitcoin in 2009, crypto has captured the attention of many due to its underlying technology, potential future applications, and the possibility of significant returns as an investment. While crypto assets can be an exciting investment topic, they are also high risk and can result in significant or total loss for investors. Whether you're thinking about investing in crypto or just want to learn more, it's important to understand the fundamentals of these alternative assets.



What is crypto?

Crypto assets are digital coins or tokens that can be used for a variety of purposes. These purposes include:

- A medium of exchange or form of payment;
- A store of value, i.e., something to be bought and held with the hope of maintaining or increasing its value; a non-fungible token (NFT);
- A function that is specific to the business or a particular network, e.g., a right to participate (a utility token) or
- A digital representation of an ownership interest in an asset or business or right to a share of profits or a revenue stream (a security token).

The unique feature of crypto assets is that they operate on a technology called blockchain. This technology records and validates crypto transactions without the need of a central authority like a bank or government.



How are crypto coins and tokens valued?

The value of crypto assets, like coins and tokens, is generally based on several key factors. These include:

Market sentiment and interest: The value of a crypto coin is often determined by the public's interest in it. Since its value is driven primarily by speculative demand, that may be unsustainable, the value of a coin can increase or decrease dramatically in short periods of time.

Supply: Every crypto coin and token launches and maintains a different level of supply. Some types of crypto focus on unique features like NFTs to distinguish one token from another, which can drive up their value. Others rely on larger supplies to make the coin more accessible for interested buyers. While limited supply can drive coin prices up, it is not a guarantee.

Functions and utility: Based on the intent of a coin or token's creators, a crypto asset can have functions that expand its use cases and perceived value. These purposes include acting as a digital representation of an ownership interest in an asset or business (much like a share of a company), a digital key to access online networks or services, a store of value or a medium of exchange. The evolving utility of a crypto asset may increase or decrease its demand.

Identifying the appropriate value of any crypto coin and when to buy or sell it can be difficult. Interested investors should be mindful that market interest can change abruptly with little warning.

Is investing in crypto right for me?

Crypto assets are alternative investments that are high risk and not suitable for all investors. Before you invest in crypto, an important first step is to understand your risk tolerance, which is your ability and willingness to take risk with your money. Investing outside of your risk tolerance can lead to losing money you can't afford or are not comfortable losing. To learn more about your risk tolerance, visit:

[CheckFirst.ca/whats-your-risk-tolerance/](https://checkfirst.ca/whats-your-risk-tolerance/).

You should also take the time to review your financial goals and when you want to reach them to determine if a crypto investment is suitable for your needs.

What is a common way to buy and sell crypto?

One of the most common ways to buy and sell crypto is through a crypto asset trading platform. Trading platforms that hold custody of your crypto or facilitate the trade of crypto considered investments are required to seek registration with the Alberta Securities Commission, if they provide services to Albertans.

It is strongly recommended that Albertans interested in trading crypto use a registered platform.

There is no guarantee that unregistered platforms are legitimate or follow investment laws, which provide important investor protections. These protections include secure handling of client funds, safekeeping of client assets, protection of personal information and more.

To find all registered crypto trading platforms across Canada, visit [CheckFirst.ca/Crypto](https://checkfirst.ca/Crypto).



How can I avoid crypto investment scams and fraud?

Crypto-related investment scams are on the rise, impacting the lives of many Canadians. Below are some helpful tips to safeguard your hard-earned money.

Check the registration of the crypto trading platform:

Before investing, make sure the platform is registered with your local securities regulator. Unregistered platforms may be fraudulent or lack essential investor protections.

Avoid social media and online groups promoting “experts”:

Be cautious of groups or individuals online offering investment advice or services. This is common alongside high-pressure sales tactics that fraudsters use to lure you into a crypto scam.

Ignore investment offers on social media and dating apps:

Scammers may try to exploit people seeking friendships or relationships by gaining their trust before offering fake investment opportunities. Ignore unrequested offers through these channels.

Look out for guarantees of high returns with little risk:

Any promise of high returns with little-to-no risk is a red flag of an investment scam. Crypto investments are high risk by nature and there are no guarantees of returns.

Be wary of crypto recovery offers: Posing as a recovery agency, fraudsters may offer to help you recover lost crypto for a fee. This service is not legitimate and can lead to further monetary losses.

Refuse remote access to your computer: Never allow someone to remotely access your computer to assist you in a crypto trade. Fraudsters commonly use this software to steal your personal information, money and crypto by pretending to help you.

Avoid unusual payment methods: Be cautious if asked to wire money or transfer crypto assets to an unknown wallet or trading platform, as these transactions are often untraceable and irreversible.

Don't invest in anything you don't understand:

If a crypto investment seems confusing or uses complex jargon, take the time to research it outside of the information provided to you.

Avoid any requests for blockchain transaction approvals:

Fraudsters may attempt to request you to complete a blockchain transaction, either through a pop-up ad, app, or on social media, so that they can further assist you. This malicious blockchain transaction gives them unauthorized access to your wallet.

What can I do if I believe I lost money to a crypto scam?

If you have concerns about a crypto investment you're involved in or believe a person or company has breached Alberta investment laws, please file a complaint with the Alberta Securities Commission.

Toll-free: 1-877-355-4488
inquiries@asc.ca