

# ROB LONG AND ROSS WILLIAMS CONSIDER WHAT HAPPENS WHEN CRYPTOCURRENCY ADVISER RELATIONSHIPS TURN ADVERSARIAL

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Partners Robert Long and [Ross A. Williams](#) authored *The Young Upstarts* article titled, “When Bitcoin Investment Adviser Relationships Sour.” The piece details steps cryptocurrency investors should consider when vetting a cryptocurrency adviser – including checking registration and licensing and keeping your adviser and one’s “digital wallet” separated – and what recourse is available when a relationship turns adversarial – including reporting incidents to regulators and considering possible litigation. The full text of the article is below, and can be accessed on *The Young Upstarts* website by clicking [here](#).

## When Bitcoin Investment Adviser Relationships Sour

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*As cryptocurrency goes mainstream, cryptocurrency investment advisers have started to spring up. These may be highly-sophisticated businesspeople who have developed an expertise in cryptocurrency, cryptocurrency investment aces who have developed a financial services business (perhaps by starting a cottage industry advising friends and family), or anything in between. Like other financial advisers, they may be competent or incompetent. They may comply with, or be in violation of, applicable regulations. Some may even be fraudsters.*

*Because this is a relatively new space where professional standards and regulatory frameworks are still evolving and coalescing, and because the market has shown a tendency to fluctuate wildly, investor-adviser relationships in this area may be more prone to become adversarial, and advisers may even take the extreme step of denying investors access to their digital wallets.*

This article provides pointers on avoiding these unfortunate situations on the front end, and on dealing with these confrontations if they arise.

### **Avoidance.**

If an investor is considering engaging a cryptocurrency investment adviser, there are several steps the investor can take to limit the likelihood of an adversarial relationship developing down the line, and to protect the investor should such a dispute arise:

**Check Registration and Licensing:** The SEC has indicated its belief that many cryptocurrencies are legally securities. Similarly, the CFTC has opined that cryptocurrencies are commodities. For these reasons, advisers in this space should register with applicable regulators to be licensed and qualified to advise on cryptocurrencies and trade them on behalf of customers. Before hiring an adviser, consider checking registration with applicable governmental agencies (SEC, CFTC, state securities board). Searching the adviser on BrokerCheck. Google the adviser.

**Get it in Writing:** Professional investment advisers provide their clients with written agreements regarding what the advisers do and do not provide, as well as their fee structure. Written agreements provide certainty as to everyone's obligations. Read these documents carefully, negotiate them, and then sign only if you can live with the terms. The agreement should also identify the adviser by legal name and provide address and other contact information.

**Keep 'Em Separated:** Cryptocurrency investment advisers have been known to keep all of their clients' holdings in one wallet, with records kept elsewhere regarding who owns what. It may be preferable to have your investments held in a wallet of your very own, to which your adviser is given access, and then have a second wallet in which to hold your non-invested cryptocurrency or banked returns to which your adviser does not have access.

**Security is Key:** Ask about the security of the wallet the adviser uses. Verify your adviser has sophisticated, regularly updated security so your personal information stays safe.

**Insurance:** Ask if the adviser maintains insurance to protect against security breaches. These issues arise often. Insurance here is new, but it does exist.

**Go with your Gut:** If you just don't have a good feeling about a potential adviser, but can't put your finger on why, trust your instincts and look elsewhere.

### **Disputes.**

If disputes arise with your adviser that lead to denial of access to your digital wallet and, consequently, your cryptocurrency investment, consider the following options:

**Report:** Consider reporting the adviser to applicable governmental agencies (SEC, CFTC, state securities board).



***Send a Demand Letter:*** Let the adviser know – in measured terms – what your position is, what you want and by when, and what lawful remedies you will seek if the adviser fails to comply. This is the place to be reasonable, but firm, in your demands. Consider hiring an attorney to help you with this process.

***Consider Filing Suit:*** when an investment adviser withholds client money wrongfully, the adviser may be exposed to liability under many different statutes and regulations, as well as the common law. Relief may be available through the Deceptive Trade Practices Act, securities laws, or claims for negligence, conversion of property, breach of contract, or other causes of action. If your adviser might remove your cryptocurrency from your wallet against your will, emergency injunctive relief may be available to freeze the wallet until your case can be heard.

An attorney can help with these steps when disputes arise with your adviser. That said, the best way to avoid losing access to your cryptocurrency is to never grant anyone exclusive access to it to begin with. Careful consideration and observance of the steps outlined above can help investors navigate the minefield of investor options in this burgeoning investment environment. Returns depend on many variables. Cryptocurrency investment is high-risk. Carelessness can result in disappointing returns, up to and including total loss of your investment.

## Practice Area Contact

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