

**Investor.gov****U.S. SECURITIES AND
EXCHANGE COMMISSION**

Digital Asset and “Crypto” Investment Scams – Investor Alert

Sept. 1, 2021

The SEC’s Office of Investor Education and Advocacy (OIEA) and Division of Enforcement’s Retail Strategy Task Force (RSTF) remind investors to watch out for investment schemes involving digital assets and “Crypto.”

Fraudsters continue to exploit the rising popularity of digital assets to lure retail investors into scams, often leading to devastating losses. “Digital assets” include crypto-currencies, coins, and tokens such as those offered in so called initial coin offerings (ICOs). Investors may be less skeptical of investment opportunities that involve something new or “cutting-edge,” or may get caught up in the fear of missing out (FOMO). For example, some investors may have FOMO, given the rise in price of some digital assets in recent years, that they will miss an opportunity to become very wealthy. If you are considering a digital asset-related investment, take the time to understand how the investment works and to evaluate its risks. Look for warning signs that it may be a scam.

The SEC brought charges in a \$2 billion Bitcoin-related investment scam.

In *SEC v. BitConnect* (<https://www.sec.gov/news/press-release/2021-172>), the SEC took enforcement action against the perpetrators of one of the largest Bitcoin-related Ponzi-like schemes. According to the SEC, the defendants collected approximately 325,000 Bitcoin, worth approximately \$2 billion at the time, from retail investors worldwide through a platform that encouraged investors to lend their Bitcoin to BitConnect. The founder of the platform allegedly lured investors with false promises of profits to be generated by a purported proprietary Bitcoin trading “bot” and secretly paid a network of promoters around the world for their efforts to promote the lending platform through “testimonial”-style YouTube videos and other social media in multiple countries. The SEC also alleges that investors were rewarded for recruiting new victims through a pyramid scheme-like referral program. The SEC’s complaint notes that the platform’s website represented: “Investing on BitConnect platform, as you will find, is a safe way to earn a high rate of return on your investment without having to undergo a significant amount of risk.” The platform allegedly paid investor withdrawals out of incoming investor funds

and did not trade investors’ Bitcoin consistent with its representations, leading the platform to collapse and investors to lose massive amounts of money.

When considering an investment opportunity, be cautious if you spot any of these red flags of fraud:

- **“Guaranteed” high investment returns.** Promises of high investment returns with little or no risk are a classic warning sign of fraud. Fraudsters may post fabricated historical returns on their websites showing high investment returns.
- **Unlicensed/unregistered sellers.** Unlicensed, unregistered sellers commit much of the securities fraud targeting retail investors in the U.S. Check out the background (including license and registration status) of anyone offering you an investment in securities using the search tool on [Investor.gov](http://www.investor.gov) (<http://www.investor.gov/>) .
- **Skyrocketing account values.** Depictions of investment accounts rapidly increasing in value and providing large returns are often fake. This is a tactic fraudsters use to entice investors with the prospect of great wealth.
- **Sounds too good to be true.** If an investment “opportunity” sounds too good to be true, it probably is. Remember that the potential for high investment returns usually involves high risk.
- **Fake Testimonials.** Also, never rely solely on testimonials in making an investment decision. Fraudsters sometimes pay people – for example, actors to pose as ordinary people turned millionaires, social media influencers, and celebrities (<https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-alerts/investor-22>) – to tout an investment on social media or in a video.

Before you hand over your money, verify that the individuals and firms offering an investment in securities are licensed/registered using the search tool on [Investor.gov](http://www.investor.gov) (<http://www.investor.gov/>) . Carefully review all materials about any investment opportunity and [ask questions](https://www.investor.gov/introduction-investing/getting-started/five-questions-ask-you-invest) (<https://www.investor.gov/introduction-investing/getting-started/five-questions-ask-you-invest>) . Learn more about [investments involving digital assets](https://www.investor.gov/additional-resources/spotlight/spotlight-initial-coin-offerings-and-digital-assets) (<https://www.investor.gov/additional-resources/spotlight/spotlight-initial-coin-offerings-and-digital-assets>) , including so-called ICOs, on [Investor.gov](http://www.investor.gov) (<http://www.investor.gov/>) , where you can find tips on investing wisely and avoiding fraud.

Additional Resources

[Investor Alert: Watch Out for Fraudulent Digital Asset and “Crypto” Trading Websites](https://www.investor.gov/additional-resources/news-alerts/investor-alerts/investor-alert-watch-out-fraudulent-digital-asset) (<https://www.investor.gov/additional-resources/news-alerts/investor-alerts/investor-alert-watch-out-fraudulent-digital-asset>)

ICO - Howeycoins (<https://www.investor.gov/howeycoins>)

Report possible securities fraud (<https://www.sec.gov/tcr>) to the SEC at www.sec.gov/tcr (<https://www.sec.gov/tcr>) .

Contact the Office of Investor Education and Advocacy (OIEA) by phone at 1-800-732-0330, using this [online form \(https://www.sec.gov/oiea/QuestionsAndComments.html\)](https://www.sec.gov/oiea/QuestionsAndComments.html) , or via email at [Help@SEC.gov \(mailto:Help@SEC.gov\)](mailto:Help@SEC.gov) . Receive Investor Alerts and Bulletins from OIEA by email (http://www.sec.gov/news/press/subscribe_updates.htm) or RSS feed (<http://www.sec.gov/rss/investor/alertsandbulletins.xml>) . Follow OIEA on Twitter ([@SEC_Investor_Ed](https://twitter.com/SEC_Investor_Ed)) @SEC_Investor_Ed. Like OIEA on Facebook (<http://www.facebook.com/secinvestoreducation>) at [facebook.com/secinvestoreducation](http://www.facebook.com/secinvestoreducation).

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