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WATCH OUT FOR THESE CRYPTO FRAUDS

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The realm of digital assets is new, confusing, famous for making people rich – and often unregulated. In other words, it's a perfect setting for scams.

Here's a quick look at the most common scams, and how to avoid them.

The Rug Pull

A new coin, token or platform appears, makes big promises, gets lots of publicity, attracts investors, and then vanishes.

A recent example was a new cryptocurrency whose promoters capitalized on the hit TV show *Squid Game*. After quickly rising to $2,860, the Squid coin fell to near zero in mere hours. The coin's anonymous creators drained liquidity from the product, driving its value down, and exited with $3.3 million of investors' money.

Watch for new coins that are getting lots of hype.

Pump and Dump

It's a legitimate concern, but thousands of crypto-networks, applications and protocols made possible by the blockchain are carbon neutral. And the Bitcoin network is improving its efforts in that regard.

Just like Stratton Oakmont, Blinder Robinson, First Jersey Securities and other notorious penny stock brokerage firms of the 1970s and 1980s, "pump and dump" swindlers thrive in the crypto world, too. In this trick, crooks buy (and even sometimes invent, *a la* the rug pull above) a near-worthless coin, then pump up excitement about it, causing unwary investors to buy the coin. The crooks keep the excitement going by making additional buys, and soon the price is up dramatically. At that point, the crooks dump their holdings and stop promoting the coin. The ensuing vacuum causes the price to collapse, leaving everyone else with a worthless asset.

Pump and dump schemes often involve influencers and celebrities who are paid to endorse the new coin. Their credibility helps give the scam credence – until it's too late. If a coin or token is being promoted heavily, ask yourself if a scam might be underway – before you invest.

Phishing scams

Phishers send you an email announcing an incredible investment opportunity. If you click on the link, you'll be taken to a website that looks legitimate – and asks you to send money. After you do, the website disappears. Sometimes, the crooks don't even want your money. Instead, they merely want you to fill out an online form that gives them your personal information (such as your bank account number). With that data in hand, they steal your identity and your accounts.

A new variation uses "air drops" as bait. Digital asset platforms sometimes reward investors with gifts called air drops, which are free tokens or coins sent directly to investor wallets. Scammers unaffiliated with the platform can also air-drop free tokens into user wallets — but they're a Trojan horse, not a gift. If you interact with the tokens, you could be giving the hackers access to your wallet, enabling them to drain your holdings.

If you ever receive an air drop, verify its source.

How to Spot Fraud

Before you invest:

1. **Google the company** or coin name with "review," "scam," or "complaint." If it's a scam, you're not likely to be the first. Learn from others' experiences.
2. **Research the team's credibility** by searching for the founder's Twitter and LinkedIn profiles. Compare their credentials to those of established, proven players.
3. **Read the white paper.** A crypto project will have a white paper that describes the project and who's behind it. A bogus white paper won't make any sense, might have paragraphs copied from other white papers, and lots of spelling mistakes and grammatical errors. (Note: just because a white paper is well written doesn't mean the coin is worth investing in.)
4. **Be skeptical.** Does this product do anything new or better? Is there likelihood it will gain market traction?
5. **Be wary of unrealistic projections of returns**. Scammers love to make bold claims and offer guaranteed returns. If it seems too good to be true, it probably is.
6. **Take it slow:** If someone is pressuring you to invest quickly, they are probably scamming you.

Remember that there is no FDIC or SIPC to protect you. You are solely responsible for your investment decisions – and their consequences.