

Are You an Informed Investor?

## “Registered, Professional” Crypto Trader Scams

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*Are you interested in investing in cryptocurrencies but don't know your cold wallets from your hot wallets, or your Bitcoin from your Ethereum? Many investors have gotten caught up in the hype and media interest surrounding crypto assets and have decided they want to invest but need some help navigating the complicated and complex crypto world. Fraudsters know many people are interested in investing but lack the knowledge to do so themselves and are taking advantage by posing as registered professional crypto traders.*

### How the Scams Work

Jon is a novice investor who is constantly seeing media stories and posts online about crypto asset investing. He also has some friends who have made money investing in crypto assets. He is interested in investing in crypto assets but finds the process extremely confusing and complicated. He has tried to understand blockchain and hot and cold wallets<sup>1</sup>, but just can't grasp the concept. Despite his lack of knowledge in the crypto asset world, Jon

<sup>1</sup> “Hot” wallets are online and vulnerable to hacking, while “cold” wallets are offline physical devices like a thumb drive.

remains interested in investing and searches for help. He finds an online advertisement for “registered professional crypto traders”, who are offering trading and advising services to novice investors like him. He clicks on the ad and enters his contact information.

Not long after, Jon receives a phone call from Tony who tells Jon that he has been trading crypto assets for several years and has made lots of money. Tony tells Jon that he is “registered” as a professional crypto trader with local regulators and offers crypto trading advice and services to investors who need help

navigating the complex world of crypto. Jon is very excited by what he hears because it is exactly what he wants. Unfortunately, Jon isn't aware that there's no such thing as a “registered” cryptocurrency trader and anyone who claims to have this professional certification is lying.

To get started, Tony instructs Jon to create an account at a well-known crypto trading platform, often referred to as a crypto exchange. Tony meticulously walks Jon through the steps to create an account, make a deposit by credit card or bank account, and purchase some crypto assets. Tony then tells Jon how

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to transfer his newly purchased crypto assets off the exchange and into Tony's online wallet. Some fraudsters get investors to download software to their computer that gives the fraudster control to do all these steps for them.

Tony tells Jon he will begin managing and trading Jon's crypto assets as soon as he receives them. Jon follows Tony's instructions and transfers all his crypto assets to Tony's hot wallet. Following the completion of the transfer, Tony cuts off contact and Jon never hears from him again. Jon did not know that once he transferred his crypto assets to Tony's wallet, he would lose all access to them. Tony has stolen Jon's crypto assets, leaving him with no recourse to get them back.

### **Red Flags for Spotting Crypto Trading Scams**

- ▶ People posing as "registered" or "regulated" crypto traders.
- ▶ Online ads promising crypto asset management and advice leading to large returns and profit.
- ▶ Being asked by anyone to move your crypto assets off an exchange to their private wallet; or

- ▶ Being asked to download software that gives another person access to your computer.

### **How to Protect Yourself**

- ▶ Be advised that no regulators currently provide registration for anyone as a professional crypto trader. If a person says they are registered to sell crypto assets, contact your state or provincial securities regulator.
- ▶ Never give anyone remote access to your computer. Doing so could expose your personal information that could be used for identity theft, financial theft, or other types of fraud.
- ▶ Never transfer your crypto assets off an exchange or from your wallet to the wallet of someone you do not know. Unless you have the password or keys for the recipient's hot wallet, once crypto assets have been transferred, they are unrecoverable.
- ▶ Educate yourself about trading crypto assets. If you don't fully understand how an investment works, it may not be for you. Remember, stolen crypto assets are unrecoverable. Never invest more than

you can afford to lose.

For more information, see the following resources:

- ▶ [Are you an informed investor? Does Crypto Threaten Your Investment Accounts?](#)
- ▶ [Are you an informed investor? What's in your e-Wallet?](#)

### **Bottom Line**

Investing in crypto assets is extremely risky. Crypto assets are highly volatile. Regulators and law enforcement have seen a tremendous increase in fraud and theft involving crypto assets.

Securities regulators in North America do not register individuals as professional cryptocurrency traders. Anyone who says they have received this kind of registration is lying and is most likely trying to defraud you and steal your money. If you are approached by someone who is calling themselves a registered professional crypto trader, they should be reported to securities regulators.