



# CURIOUS ABOUT CRYPTO? WATCH OUT FOR RED FLAGS

Curious about digital asset investing? Remember, the digital asset marketplace is largely unregulated and fraud is a significant risk. Avoid websites or advisers that display these common red flags:

## **RED FLAG: Guaranteed, oversized returns**

Digital asset trading can be highly volatile, and there is no such thing as a guaranteed or risk-free investment, trading strategy, signal, bot, or algorithm. If a site promises to multiply your money in a matter of days or weeks, it is a fraud. You cannot achieve double-digit percentage gains without assuming a significant amount of risk that you could also lose money.

## **RED FLAG: The more money you commit, the more you are guaranteed in return**

It doesn't matter how much money you hand over. Increased returns require increasing your risk. Increasing your risk increases the chance of losing your money.

## **RED FLAG: Loan offers, excessive margin, or matching funds**

Many fraudulent trading platforms or dealers offer high levels of margin, "special" loan offers, or will match your trade—doubling or tripling your investment. Remember, you can't get something for nothing. Criminals make these offers to encourage you to add more money to your account. They will also show you fake gains and balances to keep you contributing.

## **RED FLAG: You can only open an account *with* digital assets**

Criminals promoting fraudulent "trading services," programs, or advice will only accept bitcoin or other digital assets. Some even walk victims through the dollar-to-crypto conversion process on other platforms before asking the victims to send them the digital money. These digital asset transactions are risky because they:

1. **Cannot be reversed.** For example, once bitcoin is transferred on the blockchain, it cannot be changed, stopped, and typically cannot be recovered.
2. **Cannot be disputed.** All transactions are final. There are no do-overs or charge-backs.
3. **Hide real-world identities.** Cryptographic keys make it difficult to identify criminals.
4. **Can be quickly converted to cash or goods.** Digital assets can be easily exchanged for fiat currency, used on the dark web, or spent at a growing number of ecommerce sites.

## **RED FLAG: Claims customer assets are federally insured**

Stablecoins and digital asset exchange platforms are **NOT** federally insured. The Federal Deposit Insurance Corp. (FDIC) and National Credit Union Administration (NCUA) only protect bank or credit union depositors. The Securities Investor Protection Corp. (SIPC) protects investor assets if a financially-troubled member firm fails. No insurance will protect you against market losses.

## **RED FLAG: You're invited to trade or invest by someone you've met online**

Most digital asset scams begin on social media or through messaging apps. Never make digital asset payments to anyone you meet online. And don't rely solely on tips or claims you see on social media.



## **RED FLAG: The company or adviser is not registered**

Only work with investment platforms and advisers that are registered to do business in the United States or in your individual state to ensure you retain your protections under the law. Digital asset trading platforms must register as money service businesses (MSBs) with the Financial Crimes Enforcement Network (FinCEN) and with many state regulators. To check registrations, visit [fincen.gov/msb-registrant-search](https://fincen.gov/msb-registrant-search) or [csbs.org/nationwide-multistate-licensing-system](https://csbs.org/nationwide-multistate-licensing-system).

Before paying anyone for investment advice or sending digital assets to an individual's or firm's digital wallet, see if the broker, adviser, or firm are currently or formerly registered with the National Futures Association ([nfa.futures.org/basicnet/](https://nfa.futures.org/basicnet/)), the SEC ([adviserinfo.sec.gov](https://adviserinfo.sec.gov)), FINRA ([brokercheck.finra.org](https://brokercheck.finra.org)), or your state securities regulator ([nasaa.org/contact-your-regulator/](https://nasaa.org/contact-your-regulator/)). Relying on registration alone won't protect you from fraud, but most scams involve unregistered entities, people, and products.

## **RED FLAG: Unable to withdraw your money**

Most victims realize they're involved in a fraud when they can't get their money back. Victims are told they must wait a number of weeks, invest more to get to a higher account status, repay the loans and matching funds, and pay one undisclosed tax, fee, or charge after another until, ultimately, they give up. Never pay more money to get your money back.

## **RED FLAG: There is no physical address or customer service phone number**

When scams are discovered, the criminals shut down websites, email addresses, messaging and social media accounts, and disappear. Many are in overseas locations where it is difficult to track them down. Registration requires businesses to provide physical headquarters and branch addresses as well as customer service phone numbers, so if something goes wrong customers know where to turn for help. Businesses that do not provide this information, or unregistered entities outside the United States, should be avoided. Verify an address by doing a street-level map search.

## **Don't be silent. Report fraud.**

You can report digital asset frauds to the following agencies:

- The CFTC, [cftc.gov/complaint](https://cftc.gov/complaint)
- FBI's Internet Crime Complaint Center, [IC3.gov](https://ic3.gov)
- The Securities and Exchange Commission, <https://www.sec.gov/tcr>
- The Federal Trade Commission, [reportfraud.ftc.gov](https://reportfraud.ftc.gov)
- Your state regulator, attorney general, and local law enforcement

## **LEARN MORE, visit [cftc.gov/LearnAndProtect](https://cftc.gov/LearnAndProtect)**

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