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NPR Report on Crypto Fraud Illustrates Need for Caution

MONTPELIER, Vt. – Last month's NPR story on 74-year-old Naum Lantsman, who lost his life savings to a crypto currency scam, **illustrates the need for Vermonters to exercise extreme caution and vigilance when using or investing in cryptocurrency.**

Lantsman, [according to the story](#), saw an online post from a company called SpireBit. The company claimed to be an "international financial broker" that helps people invest in cryptocurrencies. After opening an account, a Spirebit representative contacted Lantsman on the messaging app Telegram. They began chatting regularly, connecting over their shared background. Lantsman started with an investment of just \$500 dollars. After months of watching fake returns compound in his account, he invested more and more. Lantsman ultimately lost more than \$340,000. Lantsman had read about internet frauds but never thought it would happen to him.

The promise of high returns and the ability to bypass the safeguards of the traditional financial system make cryptocurrencies irresistible to scammers. **The FTC reports that crypto scams have increased by an incredible 900 percent since the start of the Pandemic.** From the beginning of 2021 through the first quarter of 2022, 46,000-plus people were bilked out of more than \$1 billion in crypto-related frauds. This is in addition to the hundreds of billions lost in the crypto market collapse of 2022 and to the [multi-billion dollar bankruptcies](#) of crypto companies like [FTX](#), [Celsius](#), [Voyager](#), [BlockFi](#), [Genesis](#) and others.

CRYPTOCURRENCIES are not functional equivalents of traditional banking, securities or insurance investment products. There is no lender of last resort, little to no financial disclosures, and usually no insurance protection for losses arising from market fluctuations, theft or scams. Cryptocurrency investments and transactions often lack critical safeguards that exist in the traditional financial system.

The avoidance of government regulation that attracts some crypto enthusiasts is the very thing that makes it incredibly risky. The Department of Financial Regulation urges Vermont investors to be vigilant whenever using crypto or evaluating crypto as an investment.

CRYPTO SCAMS ON THE RISE: Crypto-related fraud continues to increase along with the amount of losses. Last year, the North American Securities Administrators Association

ranked cryptocurrency and digital assets [among top investor threats](#) and urged people to exercise caution when purchasing popular and volatile unregulated investments. Fraudulent transactions, theft, account hacks and scams were the most frequently cited digital currency complaints received by the Consumer Financial Protection Bureau from October 2018 to September 2022. The CFPB received more than 8,300 virtual currency complaints—the majority in the last two years. Most complaints arose from purported investments.

While older Americans have more to lose, young adults – ages 20 to 49 – reported losing money to crypto scams at more than three times the rate of older age groups.

SCAMS BECOMING MORE ELABORATE, COMPLEX: While schemes and cons designed to take unsuspecting people's money have long existed in various forms, the common immediate identifier of an investment scam has always been the promise of high returns with low risks. These days, however, con artists have devised more complex, personalized tactics that include layers of deception: from fraudulent bank statements and wire transfer documents to fake social media accounts replete with stock images of people on reputable sites, intimate and friendly conversations developed over time with online investors, and fake online platforms showing investors' rising “profits.”

Lantsman found SpireBit while scrolling Instagram, identified [by the Federal Trade Commission](#) as the top platform connected to crypto fraud: Instagram (32%), Facebook (26%), WhatsApp (9%) and Telegram (7%). And nearly four out of every ten dollars reported lost to a fraud originating on social media was lost in crypto.

REPORTING FRAUD IS ALWAYS VITAL: To maximize the opportunity for recovery and protect other victims, it is critical that victims report fraud to law enforcement as quickly as possible. The [Internet Crime Complaint Center, or IC3](#), is the Nation's central hub for reporting cybercrime. It is run by the FBI, the lead federal agency for investigating cybercrime.

If you or someone you know has encountered a cryptocurrency scam in Vermont, report it to Vermont authorities as well. Use the [Vermont Attorney General's online scam reporting form](#) for the Consumer Assistance Program.

To file a complaint about a crypto company or crypto investment or obtain further information, call the Department at 833-DFR-HOTLINE, or email the banking division at dfr.bnkconsumer@vermont.gov; the securities division at dfr.securitiesinfo@vermont.gov. Department Investor Alerts dated [August 23, 2021](#) and [December 1, 2022](#), provide more information on cryptocurrency risks.

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