



A Cautionary Tale of Cryptocurrency Deception

Walter Houser, Volunteer
Financial Crimes Section
Montgomery County Police Department

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A Retiree's Cautionary Tale of Cryptocurrency Deception*

Disclaimer: The story is a synthesis of the reports the Montgomery County Police Department receives on a weekly basis. Henry and BitGem are not real, but this story reflects the losses many retirees have suffered from cryptocurrency scams

Henry's Story *

Why would Henry speculate in cryptocurrencies?

Henry's savings may not cover his retirement living costs and rising medical bills.

Potential of cryptocurrencies for significant returns to augment his savings.

Henry's Story

- Henry's new friend told him about this new cryptocurrency exchange.
- He went to the website and was impressed with the slick presentation and marketing materials.
- The site offered an account with just a few dollars in coins he could get from the local gas station.
- His account quickly grew, encouraging him to make more deposits.



Cryptocurrency Terms

- Many kinds of cryptocurrencies
 - Public Ledger coins
 - Bitcoin, Ethereum, BinanceCoin, Dogecoin
 - Privacy Coins
 - Monero, Zcash, Dash
 - Stablecoins are pegged to a specific fiat currency like USD.
 - Tether, USDC, MakerDAO's Dai, TerraUSD
- Coin mining
- Forking
- Mixers and Tumblers
- ICOs

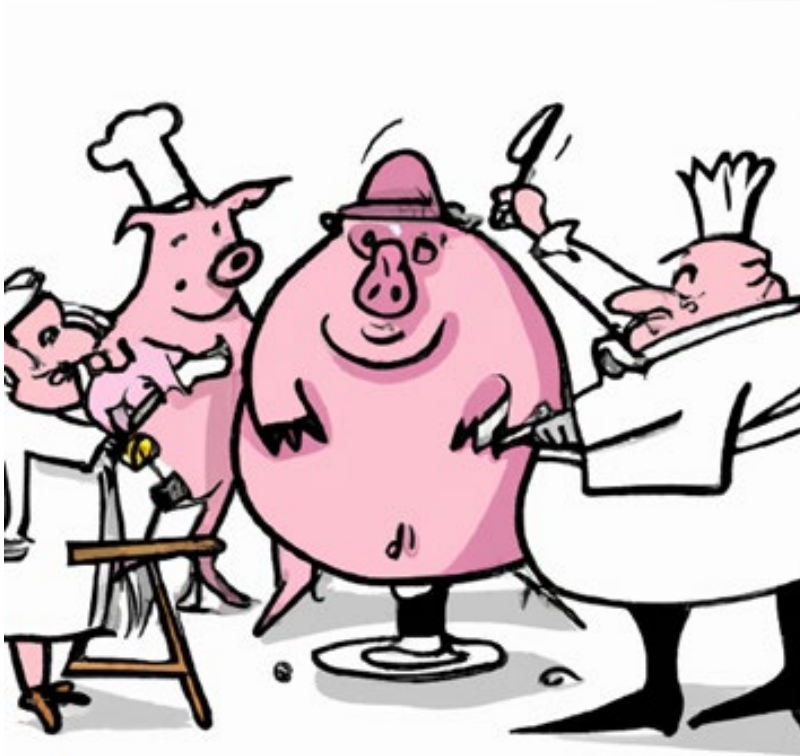
Cryptocurrency Scams like Common Scams

- Phishing attacks
- Ponzi schemes
- Fake Airdrops and Giveaways
- Celebrity impersonation
- Pump and Dump Schemes
- Recovery Scams



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Scams Unique to Crypto



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Cloud Mining Scams
Fake Wallets and Applications
Rug Pull
Pig Butchering
Fake Exchanges
Fake ICOs

Henry was Lured by a Fake Exchange

- Elaborate website and marketing materials
- Appearance of legitimacy
- Little to no information about the team behind the project or
- Vague but enthusiastic promises of returns



Henry was Lured by a Fake Exchange

- Allows only token withdrawals
- Prevents significant withdrawals
- Forbids account closure
 - Excuses: taxes
- Exchange disappears

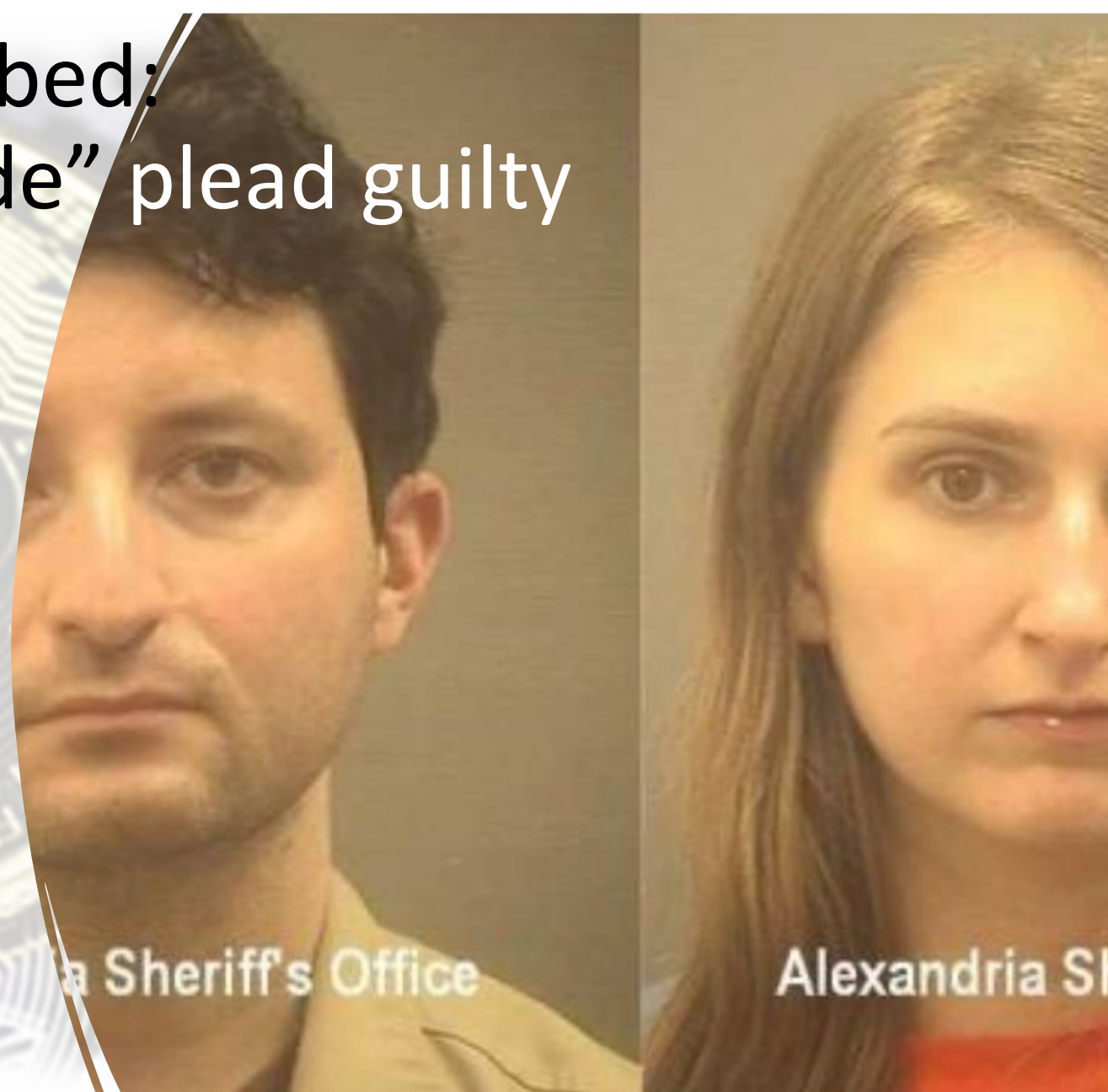
Legit Exchanges are Robbed: “Bitcoin Bonnie and Clyde” plead guilty

- \$4.5 billion money-laundering scheme.
- Stole 119,754 bitcoin, over half of Bitfinex’s inventory.
- Moved coins to his wallet in more than 2,000 transactions.



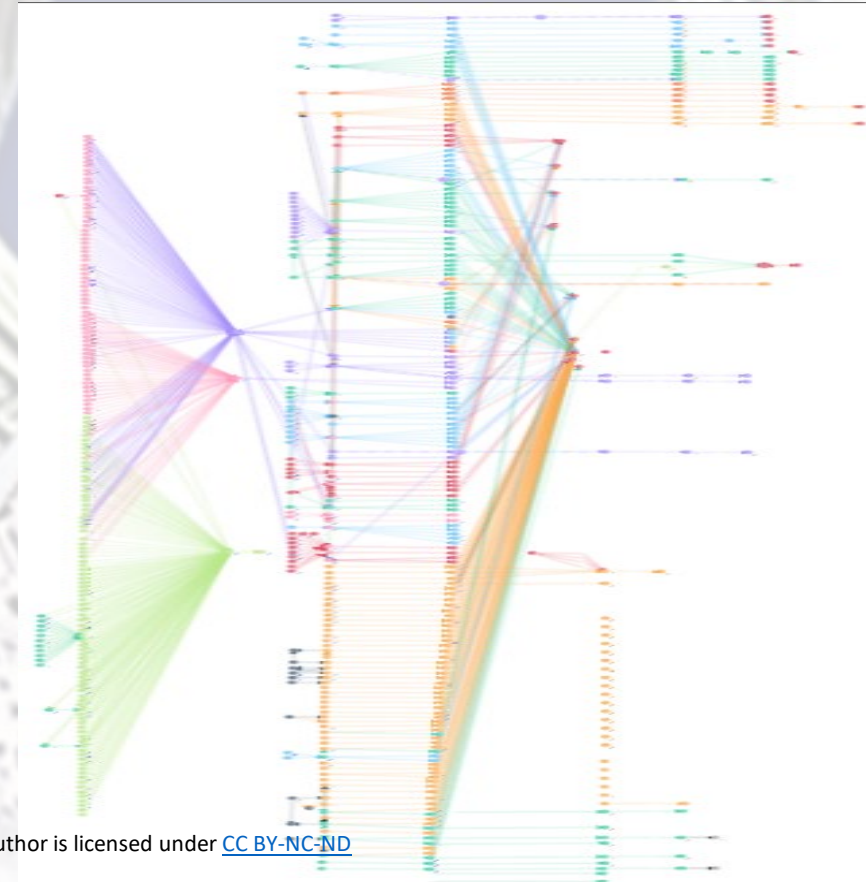
Legit Exchanges are Robbed: “Bitcoin Bonnie and Clyde” plead guilty

- Value skyrocketed from \$600 to over \$68,000 in 2021.
- Funneled funds into dark-net marketplaces, converting the bitcoin into other forms of cryptocurrency and in accounts under false names.
- Made thousands of small-sum transactions to avoid detection.



Cryptocurrency Scams scam the Experts

- Over \$35 million stolen from over 150 confirmed victims,
 - many quite security savvy.
- One Chainalysis employee lost millions.
- The common thread is said to be the LastPass data breach.



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Cryptocurrency Theft Funds Nuclear Weapons

How North Korea's Hacker Army Stole \$3 Billion in Crypto, Funding Nuclear Program for five years.



Funding 50% of the DPRK ballistic missile program.



See the September 28
article in the Beacon
Newspapers

Red flags in cryptocurrency investments

By Walter Houser

Posted on September 28, 2023

<https://www.thebeaconnewspapers.com/red-flags-in-cryptocurrency-investments/>



Solvability is a Challenge

MCPD receives over 4,000 financial fraud reports a year

All reports are forwarded to the Financial Crimes Section

Not every report can be investigated.

FCS prioritizes based on multiple factors, including the solvability of the event.

Scams usually originate outside MoCo and often outside the USA, hindering investigation and prosecution.

Scammers' phone numbers, emails, and identities are likely "spoofed" and untraceable.

Criminals request payment in money wires, gift cards, and cryptocurrency, methods that are irreversible and difficult to trace.

Mobile peer-to-peer payment (P2P) services, like Venmo, Zelle, and Apple Pay, are also non-recoverable and hard to track.

These crimes generate little in the way of physical evidence.

There are few legal rights or regulatory limits on your losses.

Electronic evidence is ephemeral and hard to collect, safeguard, and present in court.

Criminals conceal themselves behind fake personas stolen from social media.

Scam Prevention Starts with You

Henry's example demonstrates how individuals must be vigilant and cautious before investing.

Thoroughly research any website or app before making a transaction or investment.

Crypto exchanges are not regulated, and customer deposits, even when real, are not insured.

Scammers hide behind anonymous identities, making it difficult to track them down, hold them accountable for their crimes, or recover stolen funds.

Be wary of unrealistic promises of high returns. These scams often entice individuals with the promise of extraordinary profits quickly, a classic red flag for fraud.

Thank You

On behalf of Chief Marcus G. Jones and the Montgomery County Police Department, thank you for the opportunity to speak to you today.

If you have questions or comments, please call the MCPD Financial Crimes Section at 240-773-6330, or visit our website:

<https://www.montgomerycountymd.gov/pol/fraud/cyber-crime.html>

Email: police.cybercrime@montgomerycountymd.gov

Questions



Review

Crypto	DiFi	Scams	More Scams	Shady Coins
100	100	100	100	100
200	200	200	200	200
300	300	300	300	300
400	400	400	400	400
500	500	500	500	500

MENU

Team 1

0

+ -

Team 2

0

+ -

Team 3

0

+ -

- <https://jeopardylabs.com/play/cryptocurrency-and-scams>