

The government's going after alleged crypto scammers as market crashes

The US government seems to be worked up about cryptocurrency scams. On Thursday, the Commodity Futures Trading Commission (CFTC), Federal Bureau of Investigation, and Department of Justice all released news that they were taking some form of action against people accused of carrying out multimillion or billion-dollar schemes. One of the cases involves knock-off aces, one is the “largest fraudulent scheme involving Bitcoin charged in any CFTC case,” and one involves someone nicknamed “the Cryptoqueen.” The wave of enforcement is happening against a backdrop of plummeting crypto prices.

Let's start with the CFTC – the regulator has filed an action against a company called Mirror Trading International (MTI), which was run by a South African man named Cornelius Johannes Steynberg. The commission says MTI pitched potential investors by saying it had a bot that invested a pool of Bitcoin into opportunities individual investors may not have access to. Allegedly, people ended up contributing 29,000 Bitcoin to the fund, hoping to get a return on their investment. MTI collapsed in 2020, but the CFTC says those Bitcoin were at one point worth over \$1.7 billion.

The CFTC accuses Steynberg of engaging “in an international fraudulent multilevel marketing scheme”

What actually happened, according to the CFTC, is that Steynberg and MTI “misappropriated, either directly or indirectly, all of the Bitcoin they accepted from the pool participants.” Basically, the commission says it was a multilevel marketing scheme, or MLM. While the agency says

it's trying to get the money back for the alleged victims (as well as ban Steynberg from future trading and violations), it does warn that it won't necessarily be able to do that because "the wrongdoers may not have sufficient funds or assets." The CFTC notes that Steynberg was recently detained in Brazil.

The FBI is trying to make sure something similar happens to longtime fugitive Ruja Ignatova, aka the Cryptoqueen. This week, the bureau put her name on its most-wanted fugitive list for her alleged role in the OneCoin scam, which the FBI believes defrauded victims to the tune of \$4 billion. You can read more about OneCoin in our 2019 story about Ignatova's brother, who was arrested for charges related to the scheme, but the TL;DR is that Ruja Ignatova allegedly helped talk people into investing in a OneCoin cryptocurrency that didn't actually exist.

A federal prosecutor called OneCoin "one of the largest Ponzi schemes in history," according to *Reuters*. The FBI is offering \$100,000 for information leading to Ignatova's arrest.

One final note on this story before we move on to the last one: I'd argue that "Cryptoqueen" is a bit of a misnomer for Ignatova, as there isn't evidence an actual blockchain was involved. If we're looking to crown a person who's allegedly been involved in billion-dollar schemes as the queen of crypto, I can think of someone better suited for the throne.

The DOJ says it's dealing with "the largest known Non-Fungible Token (NFT) scheme charged to date"

Razzlekhan erasure aside, let's wrap this round up with a set of stories from the DOJ. On Thursday, the department announced charges in four separate cases that it says "serve as a crucial reminder that some con artists hide behind trendy buzzwords, but at the end of the day they are simply seeking to separate people from their money." One of those cases involves an NFT collection originally called the "Baller Ape Club," which the DOJ alleges rug-pulled investors after

collecting around \$2.6 million. (Yes, the press release actually uses the phrase “rug pull,” alleging that the people behind the apes ended the project, deleted the website, and attempted to launder the funds by transferring them through a series of blockchains and through services meant to mix together coins.)

The other cases – an alleged Ponzi scheme that generated almost \$100 million, a “purported cryptocurrency investment platform” that the DOJ says “fabricated purported business relationships” with companies like Apple and Disney, and a trading pool that said it used an investment bot to make money – bear some similarities to MTI, OneCoin, and other cases we’ve covered. While fraudsters may be putting crypto paint on their schemes, it’s just covering up the same old tricks.

The one potential ray of hope is that these scams may become less attractive (or at least less profitable) as major coins such as Bitcoin and Ethereum drop in value like they’ve been doing over the past few months. Of course, the crash does come at the expense of companies that actually operate within the law as well. Major exchanges have laid off hefty portions of their workforce, some coins have dropped nearly to zero, and some investors have been, at points, left unable to withdraw their funds. (In one case, allegedly thanks to someone nicknamed “Bitcoin Jesus.”)

To give you an idea of how far Bitcoin has fallen, that \$1.7 billion in Bitcoin that people invested into MTI? *Cointelegraph* says it’s now worth around \$564 million. (Though given how many coins there are and how volatile Bitcoin’s price is, that’s subject to change moment by moment.)

<https://www.theverge.com/2022/7/1/23188158/government-actions-cftc-doj-fbi-bitcoin-nft-investment-scams-market-crash>