



# Investor Education on Crypto-Assets

## FINAL REPORT

The Board of the  
International Organization of Securities Commissions



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# 1. SUMMARY

IOSCO's three main objectives are enhancing investor protection; maintaining fair, efficient, and transparent markets; and addressing systemic risk. The IOSCO Board identified crypto-assets as a priority in 2019,<sup>1</sup> and it continues to be an IOSCO priority in 2024.<sup>2</sup>

As part of this prioritization, the IOSCO Board established a Board-level Fintech Task Force (FTF) in 2022, tasked with developing, overseeing, delivering, and implementing IOSCO's regulatory agenda with respect to FinTech and crypto-assets. This includes the recent publication of IOSCO's Policy Recommendations for Crypto and Digital Asset Markets Final Report<sup>3</sup> and its Final Report with Policy Recommendations for Decentralized Finance (DeFi).<sup>4</sup> The FTF is coordinating the implementation of these recommendations across IOSCO member jurisdictions over the next three years through the Implementation Working Group (IWG).

The IOSCO Board has asked the Committee on Retail Investors (C8) to follow-up on the 2020 Report on Investor Education in Crypto-Assets<sup>5</sup> to provide regulators with updated information regarding crypto-assets that will be useful to them in designing investor education initiatives for retail investors.

In preparing the 2020 report, C8 surveyed C8 members in fall 2019 regarding their experience with crypto-assets in their jurisdiction. As part of preparing this follow-up report, C8 surveyed C8 members in late 2023.

This Report presents updated findings based on the 2023 survey responses and discussions among C8 members regarding the behavior and experiences of retail investors regarding crypto-assets. This Report updates the risks involved and makes suggestions for additional investor education measures that C8 members have used. The Report also describes some changes in the regulatory landscape of certain C8 members, including investor protection measures, and includes examples of educational materials developed by C8 members.

IOSCO members are encouraged to consider utilizing one or more of the educational materials and measures included in the Report, depending on the applicable regulatory framework and the specific risks identified in their respective jurisdictions, and work to ensure that retail investors have sufficient information to make informed decisions about the risks of investing and transacting in crypto-assets.

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<sup>1</sup> See IOSCO, [Board Priorities - IOSCO work program for 2019](#) (March 25, 2019).

<sup>2</sup> Crypto-assets will remain as a priority for IOSCO in 2023-2024 (see IOSCO, [Board Priorities - Work Program 2023-2024](#)).

<sup>3</sup> IOSCO, [Policy Recommendations for Crypto and Digital Asset Markets Final Report](#) (November 2023).

<sup>4</sup> IOSCO, [Final Report with Policy Recommendations for Decentralized Finance \(DeFi\)](#) (December 2023).

<sup>5</sup> IOSCO, [Report on Investor Education on Crypto-Assets](#) (December 2020).

## 2. BACKGROUND

In 2020, in keeping with IOSCO's prioritization of crypto-assets in its 2019 work plan,<sup>6</sup> C8 issued a report on investor education for retail investors concerning crypto-assets.<sup>7</sup> Risks identified in the report included extreme price volatility, risk of loss, malfunctions, hacking attacks or loss of private keys for crypto-assets, the lack of recourse or protection available to consumers, and the proliferation of fake crypto-assets and scams. The report described relevant methods and examples of educating retail investors about crypto-assets.<sup>8</sup>

Since 2020, the crypto-asset space has continued to evolve and, despite volatility in the market, which experienced a major downturn during the 2022 "crypto winter," retail investors, in both advanced economies and emerging market jurisdictions, continue to invest in the crypto-asset market. It has been observed that, in many cases, these investors tend to be younger and more demographically diverse, often rely on social media for investment information, and tend to overestimate their investment knowledge and experience.<sup>9</sup>

While the rise of crypto-asset market values attracted investors in 2021, with bitcoin reaching US\$1 trillion in market value in February 2021, the total market value of crypto-assets plummeted

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<sup>6</sup> Although identified as a priority in 2019, crypto-assets have been a focus of IOSCO for quite some time and efforts continue. Indeed, in February 2017, IOSCO published a comprehensive report on the topic ([IOSCO Research Report on Financial Technologies \(Fintech\)](#)). This was followed by other workstreams, reports and statements, such as the [Statement on concerns related to Initial Coin Offerings \(ICOs\)](#) (January 2018); the establishment of the FinTech Network (May 2018); the [Statement on IOSCO study of emerging global stablecoin proposals](#) (November 2019); the report on [Issues, Risks and Regulatory Considerations Relating to Crypto-Asset Trading Platforms](#) (February 2020); the report on [Global Stablecoin Initiatives](#) (March 2020); the report on the [Application of the Principles for Financial Market Infrastructures to stablecoin arrangements](#) (July 2022); and the report on [Investor Education on Crypto-Assets](#) (December 2020). More recently, IOSCO published the [Decentralized Finance Report](#) (March 2022); the [IOSCO Crypto-Asset Roadmap for 2022-2023](#) (July 2022); a [Policy Recommendations for Crypto and Digital Asset Markets Final Report](#); a [Final Report with Policy Recommendations for Decentralized Finance \(DeFi\)](#); and an [Umbrella Note for IOSCO Policy Recommendations for Crypto and Digital Asset Markets \(including DeFi\)](#) (December 2023). IOSCO has also published the [Report on Retail Distribution and Digitalisation](#) (October 2022) and the report on [Investor Behaviour and Investor Education in Times of Turmoil: Recommended Framework for Regulators based on Lessons Learned from the COVID-19 Pandemic](#) (November 2022); while the Retail Market Conduct Task Force published the [Initial Findings and Observations About the Impact of COVID-19 on Retail Market Conduct](#) (December 2020) and its [Final Report](#) (March 2023). Finally, the IOSCO World Investor Week (WIW) has delivered key messages on crypto-assets in its annual campaigns of 2020-2023. Crypto-assets will remain as a priority for IOSCO in 2023-2024 (see IOSCO, [Board Priorities - Work Program 2023-2024](#)).

<sup>7</sup> IOSCO, [Report on Investor Education on Crypto-Assets](#) (December 2020).

<sup>8</sup> This included, for instance, developing investor education materials and warnings to explain the characteristics and risks of crypto-assets; warning the public of unlicensed and/or fraudulent firms and platforms that offer crypto-assets to retail investors; using different communication channels when informing retail investors about the risks of crypto-assets; and cooperating and forging partnership with other regulatory bodies, consumer representatives and associations, and relevant trade associations to develop and distribute educational materials.

<sup>9</sup> See IOSCO, [Investor Behaviour and Investor Education in Times of Turmoil: Recommended Framework for Regulators based on Lessons Learned from the COVID-19 Pandemic](#) (November 2022).

over the course of 2022.<sup>10</sup> In May 2022, the so-called algorithmic stablecoin TerraUSD, which was purportedly pegged to the U.S. dollar, collapsed and its value rapidly decreased from US\$1 to nearly zero.<sup>11</sup> Following this, the summer of 2022 saw several bankruptcies of participants in the crypto-asset space, including Three Arrows Capital, Celsius Network, and Voyager Digital.<sup>12</sup> Then, in November 2022, the crypto-asset platform FTX collapsed and ultimately filed for bankruptcy.<sup>13</sup>

These events resulted in significant losses for retail investors and highlight the volatile, high-risk, and speculative nature of crypto-assets, the noncompliance with applicable regulations, and, in several jurisdictions, the absence of regulatory protections. Indeed, many investors in crypto-assets have experienced losses, and self-reported losses and incidences of frauds and scams involving crypto-assets are on the rise.<sup>14</sup>

More recently, the U.S. Securities and Exchange Commission (US SEC) in January 2024 approved applications for 11 spot bitcoin exchange-traded products (ETPs) to each list and trade their shares on a national securities exchange.<sup>15</sup> This represents the first time the US SEC has permitted the listing of an investment product that invests directly in a crypto-asset—in this instance, bitcoin. The sponsors initially marketed extensively relating to these new products<sup>16</sup> and investments flowed in initially at a record pace.<sup>17</sup> Coincidentally, bitcoin and other crypto-assets experienced an upsurge in early 2024 reaching highs last seen in 2021.<sup>18</sup> Volatility in prices continues and appears a hallmark of crypto-assets.

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<sup>10</sup> See Kharpal, A. and Browne, R., [From \\$250,000 to \\$10,000 price calls: How market watchers got it wrong with bitcoin in 2022](#), CNBC (December 22, 2022).

<sup>11</sup> See Kharpal, A. and Browne, R., [Cryptocurrency luna crashes to \\$0 as UST falls further from dollar peg](#), CNBC (December 22, 2022).

<sup>12</sup> See Reuters, [Crypto hedge fund Three Arrows files for Chapter 15 bankruptcy](#) (July 1, 2022), Knauth, D., [Celsius Network chooses NovaWulf bid for bankruptcy exit](#), Reuters (February 15, 2023), and Knauth, D., [U.S. bankruptcy judge approves Binance.US \\$1.3 bln deal for Voyager](#), Reuters (March 7, 2023).

<sup>13</sup> See Yaffe-Bellany, D., [Embattled Crypto Exchange FTX Files for Bankruptcy](#), The New York Times (November 11, 2022).

<sup>14</sup> See Federal Bureau of Investigations, [2023 Internet Crime Report](#) (April 4, 2024).

<sup>15</sup> See US SEC, [SEC Release No. 34-99306](#) (January 10, 2024). News accounts may refer to these investment products as exchange-traded funds, or ETFs, rather than exchange-traded products, or ETPs. These spot bitcoin ETPs are not registered with the US SEC as investment companies under the Investment Company Act of 1940 and, accordingly, the US SEC refers to them as ETPs.

<sup>16</sup> See Schmitt, W., [Bitcoin ETFs launch promotional blitz after Google allows ads](#), The Financial Times (February 5, 2024).

<sup>17</sup> See Pitcher, J., [Bitcoin Funds Pull In Money at Record Pace](#), The Wall Street Journal (March 5, 2024).

<sup>18</sup> Lang, H., Cooper, A., and Banerjee, A., [Bitcoin soars to record high, then tumbles](#), Reuters (March 5, 2024). Crypto-assets have since experienced a downturn along with the general market in August 2024. Sigalos, M., [Crypto selloff wipes out \\$367 billion in value as bitcoin, ether plunge](#) (August 4, 2024).

In short, with growing widespread interest in crypto-assets, retail investors in crypto-assets continue to be subject to certain unique risks. Recent market events have shown that the industry is at a high risk for volatility, failures, and bad actors causing harm to investors and the markets.

These factors reinforce the need for regulators to consider continued and enhanced efforts to educate investors (in addition to other regulatory, supervisory, and enforcement measures taken by regulators), especially for new or unsophisticated retail investors who may behave in a way that increases their exposure to the risks of crypto-assets, or who may have limited investment experience and investment knowledge generally.

International organizations and international financial institutions have pointed out the relevance of investor education in the area of Fintech and crypto-assets. For instance, the International Monetary Fund (IMF) has noted that consumer protection risks arise when consumers and investors are unaware or do not fully comprehend the risks associated with crypto-assets. Investor education is, therefore, an important tool for regulators to protect investors.<sup>19</sup>

The Organisation for Economic Co-operation and Development (OECD) has pointed out that warnings to investors, and in particular to retail investors, about the increased risks of crypto-assets can be more effective when coupled with intensive financial education efforts to improve investor and financial consumer understanding about the risks involved in crypto-asset markets.<sup>20</sup>

The IOSCO-Retail Market Conduct Task Force Final Report (March 2023) also states that regulators may be in different stages of the development of the retail investor market and thus they may have different experiences in investor education.<sup>21</sup> Accordingly, as noted in that report, IOSCO may wish to consider capacity building on sharing experience and exchanging views on designing and implementing investor education initiatives with IOSCO groups, committees, and other international standard-setting bodies where appropriate.<sup>22</sup>

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<sup>19</sup> See IMF, [Elements of Effective Policies for Crypto Assets](#) (February 2023).

<sup>20</sup> See OECD, [Lessons from the Crypto Winter: DeFi versus CeFi](#), *OECD Business and Finance Policy Papers*, No. 18, OECD Publishing, Paris (December 2022).

<sup>21</sup> See Retail Market Conduct Task Force, [Final Report](#) (March 2023), at p. 48.

<sup>22</sup> *Ibid.*



### 3. OVERVIEW

#### 3.1. Behavior and Demographics

##### 3.1.1. Results from IOSCO C8 Follow-up Survey

In preparing the 2020 report, C8 collected surveys from C8 members in the fall of 2019 regarding their experiences to date with crypto-assets in their jurisdictions. As part of preparing this updated report, C8 collected follow-up surveys from C8 members in the fall of 2023.<sup>23</sup>

The follow-up survey consisted of essentially the same questions as the previous survey, but C8 members were asked to focus on or highlight any changes since 2019. This helped identify significant changes over the intervening time period.

In response to an open-ended question about demographic characteristics of retail investors who own crypto-assets, of the C8 members that responded, the vast majority found that investors participating in crypto-assets tended to be younger and male. The definition of “young” was not clearly defined in the responses, but a number of responses identified “under 40” as part of the “younger” demographic.

Based on internal or third-party data, 15 of the 24 jurisdictions reported 6%-10% or more of the investors in their jurisdiction owned crypto-assets (Figure 1). Of these, six jurisdictions reported 10%-30% or more of their investors owned crypto-assets. This is a steep increase from the information in the 2020 report where half of respondents to the survey estimated that 1%-5% or less of their investors owned crypto-assets.<sup>24</sup>

**Figure 1:** Estimation of overall percentage of investors owning crypto-assets



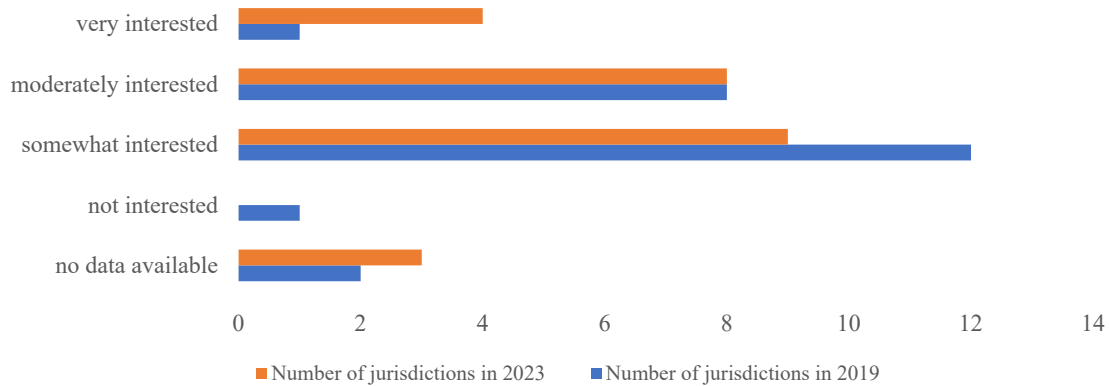
C8 members responding to the survey also believed there has been an increase in the level of interest by investors in crypto-assets from the 2019 survey. More C8 members reported that

<sup>23</sup> 26 authorities from 24 jurisdictions participated in IOSCO C8’s follow-up survey. The US SEC, FINRA, and the U.S. Commodity Futures Trading Commission are each C8 members and their respective staffs each completed a follow-up survey. Together, however, they account for one jurisdiction—the United States.

<sup>24</sup> IOSCO, [Report on Investor Education on Crypto-Assets](#) at p. 6.

investors in their jurisdictions were “very interested” in crypto-assets, however, the vast majority indicated investors were still only “moderately interested” in crypto-assets or “somewhat interested” (Figure 2).

**Figure 2:** Perception of interest in investing in crypto-assets



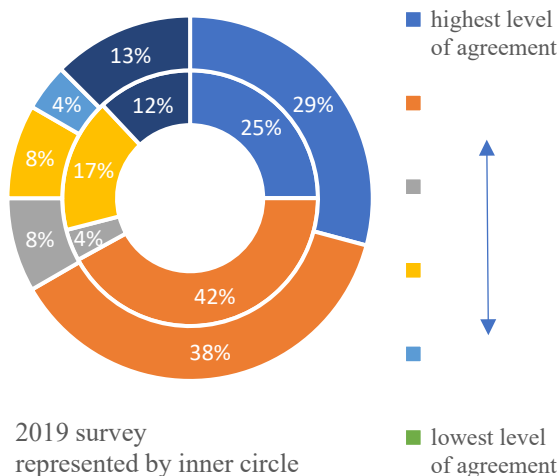
C8 members identified volatility, lack of investor understanding, lack of regulation, fraud, and risk as the possible reasons for why investors are choosing not to invest in crypto-assets in their respective jurisdictions (Figure 3). The 2023 survey added the option *fraud*, *risk*, and *not worthwhile*, which were not options in the 2019 survey. A few respondents also chose *other* and specified the lack of investment funds and lack of governmental sponsored protections as the reasons.

**Figure 3:** Main reasons for not investing in crypto-assets

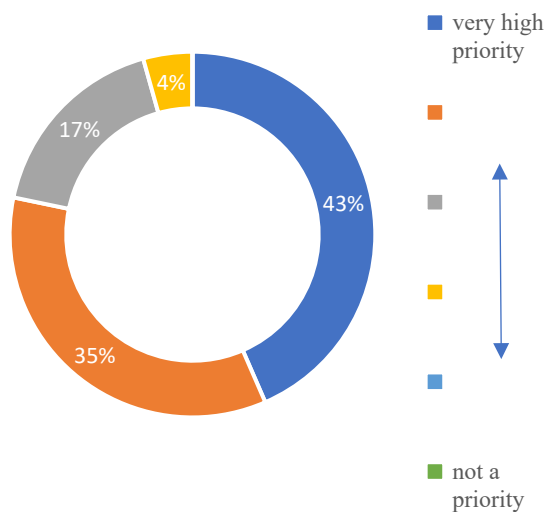


The level of concern that C8 members expressed as to whether crypto-assets pose a threat to investors for various reasons was similar to the 2019 survey (Figure 4). *Given the concerns identified by C8 members with crypto-assets and the increasing proportion of investors owning crypto-assets, there is consensus among C8 members that educating investors about crypto-assets is a high priority* (Figure 5).

**Figure 4:** Perception that crypto-assets pose a threat to investors



**Figure 5:** Need for education in crypto-assets



### 3.1.2. Findings from Other Surveys of Retail Investors

Since the 2020 report, some jurisdictions conducted surveys of retail investors and reported crypto-asset investor demographics and motivations. *Following is a summary of direct surveys conducted in the United States, France, Canada, Australia, Italy, United Kingdom, Malaysia, and Hong Kong.*

Results from these surveys suggest that many individuals who are new to investing were motivated to invest because of crypto-assets. These new investors invest in crypto-assets more than established investors. Many new investors also skew younger than established investors. From these surveys, it appears that new investors invest in crypto-assets for the following reasons:

- “Fear of missing out” (“FOMO”) or as a speculative investment;
- Low cost of entry; and
- Advice from friends and/or social media.

#### — United States

The Financial Industry Regulatory Authority (“FINRA”) Investor Education Foundation (the “FINRA Foundation”) has issued several reports and/or findings from various surveys conducted over the last three years that have information on retail investor crypto-asset market participation.

In December 2022, the FINRA Foundation released a report about investors in the United States.<sup>25</sup> In this survey, which looked at investors generally and compared responses to a similar 2018

<sup>25</sup> FINRA Foundation, *Investors in the United States: The Changing Landscape* (December 2022).

survey, with respect to crypto-assets specifically, the FINRA Foundation found that those more likely or already invested in crypto-assets skewed younger and had less experience investing:

“Sixty-two percent of investors under 35 years old reported considering cryptocurrency investments, and more than half (53 percent) were already invested, compared to 9 percent and 7 percent respectively among investors 55 and older. Similarly, newer investors, particularly those with less than two years’ experience, were more likely to consider or invest in cryptocurrency.”<sup>26</sup>

In an April 2023 publication, the FINRA Foundation released information about new investors (those who recently opened investment accounts) and found that fear of missing out and the appeal of being able to invest in small amounts attracted new investors to crypto-asset investing.<sup>27</sup>

In a May 2023 publication examining investors aged 18 to 25 at the time of the survey (“Gen Z investors”),<sup>28</sup> the FINRA Foundation found that 44% of Gen Z investors started by investing in crypto-assets while 32% started by investing in individual stocks, and 21% started by investing in mutual funds. The median initial investment for this group was US\$1,000 invested in crypto-assets, which is a quarter of their median investment total of US\$4,000.

#### — *France*

In a study of new retail investors since 2020,<sup>29</sup> Autorité des Marchés Financiers (AMF) in cooperation with the OECD, found that new investors in France hold several products but have a strong preference for crypto-assets:

“On average, three quarters of new retail investors (76%) hold more than one financial product. A majority of them (54%) invest in crypto-assets, which represents a much higher proportion than for traditional retail investors (25%). This percentage even reaches 63% for new retail investors aged between 25 and 34 years old. 11% of new retail investors hold crypto-assets only.”<sup>30</sup>

Further, the study found that households with the highest share of new retail crypto-assets investors had the lowest incomes and lowest levels of financial wealth. Among new investor households invested in crypto-assets, 64% earned less than €1,500 per month and 63% had less than €10,000

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<sup>26</sup> *Ibid.* at p. 7.

<sup>27</sup> FINRA Foundation, [New Investors 2022: Entering the Market in Novel and Traditional Ways](#) (April 2023).

<sup>28</sup> FINRA Foundation, [Gen Z and Investing: Social Media, Crypto, FOMO, and Family](#) (May 2023).

<sup>29</sup> OECD, [New retail investors in France: Attitudes, Knowledge and Behaviours](#), OECD Publishing, Paris (October 8, 2023). This report identifies a “new retail investor” as someone who made an investment for the first time since the start of the COVID-19 pandemic in 2020. The majority of new retail investors are males (64%) and below 35 (56%). *Ibid.* at p. 9.

<sup>30</sup> *Ibid.* at pp. 10 and 31.

in overall financial wealth.<sup>31</sup> One conclusion that can be drawn from this information is that the small amounts necessary to invest in crypto-assets may be an attractive element to new investors.

### — Canada

The Ontario Securities Commission (OSC) conducted two surveys of retail investors in crypto-assets in 2022<sup>32</sup> and 2023.<sup>33</sup> The studies found that fewer Canadians own crypto-assets in 2023 (10%) than in 2022 (13%), but of those invested in crypto-assets, the mean market value of their investments in crypto-assets rose from about CA\$52,975 to CA\$82,998.<sup>34</sup> In both years, the most common reason given for investing is as a speculative investment or a gamble (28%).<sup>35</sup>

Surprisingly, 65% of Canadians who own crypto-assets or funds were recommended to buy them by their financial advisor.<sup>36</sup> However, “Canadians who buy crypto[-assets] conducted research primarily based on information from their family, friends[,] and colleagues (2023: 34%; 2022: 40%), followed by social media influencers (23%), blockchain experts (22%), and the financial press (21%).”<sup>37</sup>

### — Australia

Research conducted on behalf of the Australian Securities and Investments Commission (ASIC) found that among Australian retail investors who engaged in at least one investment transaction since March 2020, 44% invested in crypto-assets, second only to Australian shares at 73%.<sup>38</sup> Recent investors (55%) and moderately experienced investors (52%) were more than twice as likely to report holding at least one type of crypto-asset in their portfolio compared to the most experienced investors (22%).<sup>39</sup>

In terms of reasons for investing generally, the study found that:

“[H]alf of all investors (50%) agreed that ‘I’ve invested in things because I don’t want to miss out’ and over a third (36%) agreed that ‘I’ve invested in things because my friends

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<sup>31</sup> *Ibid.* at p. 31.

<sup>32</sup> OSC, [Crypto Asset Survey](#) (September 2022).

<sup>33</sup> OSC, [Crypto Asset Survey 2023](#) (November 2023).

<sup>34</sup> *Ibid.* at p. 5.

<sup>35</sup> *Ibid.* at p. 8.

<sup>36</sup> *Ibid.* at p. 9.

<sup>37</sup> *Ibid.*

<sup>38</sup> See SEC Newgate Research, [Retail investor research](#) (August 2022), at p. 1.

<sup>39</sup> *Ibid.* The report classified three types of investors: (1) **recent investors**: those who started investing during or after March 2020 (i.e., since COVID-19 first had a major impact in Australia); (2) **moderately experienced investors**: those who started investing before March 2020 but less than five years ago; and (3) **most experienced investors**: those who had been investing for five years or more.

were doing so'. Recent investors were more likely to agree with these statements (54% and 44% respectively) than the most experienced investors (42% and 26% respectively)."<sup>40</sup>

The study found that just one in three crypto-asset owners (34%) considered that they owned products that were risky or speculative, and those who only owned crypto-assets were even less likely to consider that they owned risky or speculative products (17% vs. 40% of those who held crypto-assets in combination with other products).

### — Italy

Italy's Commissione Nazionale per le Società e la Borsa (Consob) conducts an annual survey regarding financial investments by Italian households.<sup>41</sup> Compared to the immediately prior 2022 survey,<sup>42</sup> Consob's most recent 2024 survey found substantial stability of interest in crypto-assets (25% in 2022 compared to 27% in 2024).<sup>43</sup>

Although interest in crypto-assets appears stable over time, the popularity of crypto-assets has increased from 8% in 2022<sup>44</sup> to 18% in 2024.<sup>45</sup> This is associated with a high degree of familiarity as 86% of respondents claim to have at least heard of crypto-assets, which is higher than those that claim to have heard of equities, for example, at 82%.<sup>46</sup>

Investors in crypto-assets most frequently belong to lower-middle age groups (34% for the 18-34 age group and 27% for the 35-44 age group). They are more frequently men (20%) than women (13%). And they tend to have a greater appetite for risk and higher digital knowledge.<sup>47</sup>

Respondents interested in crypto-assets noted that their interests related to the ability to invest small sums (38%), chance to make money quickly (38%), and portfolio diversification (37%).<sup>48</sup>

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<sup>40</sup> *Ibid.* at p. 5.

<sup>41</sup> See Consob, [Reports financial investments of Italian households](#).

<sup>42</sup> See Consob, [Report 2022 on financial investments of Italian households](#) (December 2022). A 2023 survey was not conducted.

<sup>43</sup> See Consob, [Report 2024 on financial investments of Italian households](#) (July 2024) at p. 133. There are some limitations in comparing the results of the 2024 survey with that of the 2022 survey because of different sample construction processes and questionnaire administration techniques.

<sup>44</sup> See Consob, [Report 2022 on financial investments of Italian households](#) at p. 9.

<sup>45</sup> See Consob, [Report 2024 on financial investments of Italian households](#) at p. 11.

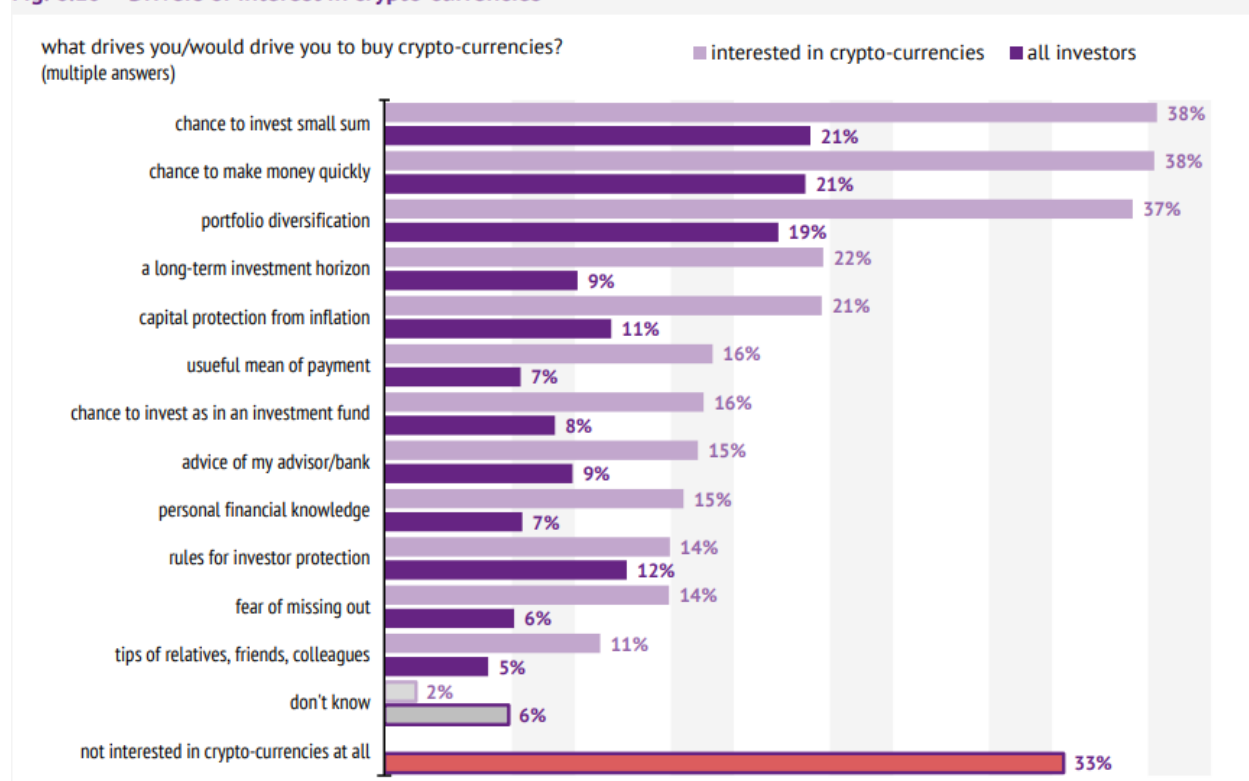
<sup>46</sup> *Ibid.* at p. 61. It should be noted, however, that the stated familiarity does not always correspond to actual knowledge: out of the 86%, a substantial percentage of respondents – ranging between 23% and 50% – cannot answer the questions aimed at detecting knowledge of the main features of crypto-assets. *Ibid.* at 11.

<sup>47</sup> *Ibid.* at p. 103.

<sup>48</sup> *Ibid.* at pp. 134 and 141.

Lower on the spectrum of drivers, but still significant, the fear of missing out (14%) and tips of relatives, friends, colleagues represented (11%).<sup>49</sup>

**Fig. 6.10 – Drivers of interest in crypto-currencies**



The 2024 survey found that just over a third of Italian investors used social media with high frequency to find out about personal finance issues.<sup>50</sup> Social media use was particularly prevalent among investors with lower financial wealth (41%), women (42%), those with less digital literacy (42%), those with lower basic financial knowledge (53%), and young investors between 18-34 (58%).<sup>51</sup> As a result:

“In this context, those who rely more on social media for investment information, being less financially and digitally literate and/or more financially fragile, may be more likely to be exposed to the risk of making investment decisions of which they are not fully aware, or which they are unable to adequately assess, including becoming victims of financial fraud.”<sup>52</sup>

<sup>49</sup> *Ibid.* at p. 141.

<sup>50</sup> *Ibid.* at p. 81.

<sup>51</sup> *Ibid.* at pp. 81-82.

<sup>52</sup> *Ibid.* at p. 82.

More recently, a report published on July 9, 2024<sup>53</sup> by the “Organismo per la gestione degli elenchi degli Agenti in attività finanziaria e dei Mediatori creditizi” (OAM)<sup>54</sup> revealed that as of March 31, 2024, Italian clients held over €2.7 billion in crypto-assets, an 85% increase from the previous quarter. The number of clients grew by 13%, while crypto-asset service providers increased by 9%.<sup>55</sup> Most crypto-asset holders are young, but the largest portfolios belong to the 40-60 age group. Major market players are large crypto-asset trading platforms. About 50% of crypto-asset service providers plan to offer crypto-asset services in Italy with the implementation of new regulation in 2025.<sup>56</sup>

### — *United Kingdom*

In the United Kingdom, the Information Commissioner’s Office (ICO) and the Financial Conduct Authority (FCA) conducted background research of U.K. investors’ interest in crypto-assets and further commissioned qualitative research informed by the results of the background research.<sup>57</sup> The qualitative research was undertaken with one-to-one interviews of 31 U.K. holders of crypto-assets.<sup>58</sup>

This background research found that demand for crypto-assets “tended to be concentrated amongst younger users, particularly men under the age of 40.”<sup>59</sup> In addition, the study further concluded that given the younger age of investors, holders of crypto-assets may be more vulnerable to financial losses (given lower savings and more debt).<sup>60</sup>

From the qualitative research, the study found that interview participants were primarily motivated to purchase crypto-assets for the hope of high returns.<sup>61</sup> In other words, participants were not buying for payment services or to diversify; rather many were buying as a speculative investment.<sup>62</sup> The study also found that the share of adults in the United Kingdom holding crypto-

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<sup>53</sup> OAM, [Quarto e quinto flusso informativo trasmessi all’OAM dai prestatori di servizi relativi all’utilizzo di valuta virtuale e di portafoglio digitale](#) (July 2024).

<sup>54</sup> The OAM is the organization responsible for managing the registers of financial agents and credit brokers in Italy. The quarterly flow analysis and survey conducted in collaboration with the Bank of Italy and Consob reflect a joint effort to monitor and regulate the crypto-asset market, ensuring its sustainable and secure growth.

<sup>55</sup> For purposes of the referenced report, crypto-asset service providers are entities that provide services related to crypto-assets, such as crypto-asset trading platforms and wallet providers.

<sup>56</sup> See *infra* Section 3.2.4 — European Union.

<sup>57</sup> See ICO and FCA, [Consumer attitudes on the risks and benefits of engaging with digital assets](#) (May 2024) at p. 13.

<sup>58</sup> *Ibid.* at p. 4.

<sup>59</sup> *Ibid.* at p. 13.

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.* at p. 20.

<sup>62</sup> *Ibid.*



assets increased from 3% in 2020 to 10% in 2022, with much of this increase in demand likely explained by rising prices.<sup>63</sup>

### — *Malaysia*

In October 2021, the Capital Market Research Malaysia (ICMR) (an initiative by the Securities Commission Malaysia) published a survey report.<sup>64</sup> The study found that 73% respondents who invested in crypto-assets assessed themselves as ‘risk-takers’ and as being more financially literate, with 59% assessing themselves as being “quite knowledgeable about investing” and 14% assessing themselves as being “very knowledgeable about investing.”<sup>65</sup>

The findings suggest that crypto-asset investors tend to be bigger risk-takers and more financially confident, compared to other investors. Further, those who invested in crypto-assets perceived it more as a “high-risk, high-reward” gamble rather than a means of long-term asset accumulation.

### — *Hong Kong, China*

Hong Kong’s Investor and Financial Education Council (IFEC) commissioned The Hong Kong Polytechnic University Department of Applied Social Sciences to conduct research on investor behavior in crypto-asset markets in late 2022.<sup>66</sup> The study explored the behavioral factors that affect crypto-asset investors’ investment decisions and found that investors used habitual mental shortcuts (known as “heuristics” in behavioral economics) including:

- *Availability* – the tendency to rely on information that is readily available, easy to recall, and highly familiar;
- *Anchoring* – paying too much attention to past information, such as prices of initial coin offering; and
- *Overconfidence* – overestimating personal investment intuition and the ability to achieve high investment return, for example.

Various mental shortcuts, or rules of thumb that assist a person in making decisions and judgments in times of uncertainty and complexity, related to crypto-assets were also summarized into five strategies, namely Herding, Secure Obedience, Distrustful Empiricism, Wishful Speculation, and Intuitive Confidence, with each type being vulnerable to different cognitive biases.<sup>67</sup> Per the report,

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<sup>63</sup> *Ibid.* at p. 19.

<sup>64</sup> See ICMR, [The Rise of Millennial & Gen Z Investors: Trends, Opportunities, and Challenges for Malaysia](#) (2021).

<sup>65</sup> *Ibid.* at p. 22.

<sup>66</sup> See IFEC, [Behavioural Science Study on Investor Behaviour in the Virtual Asset Markets: Heuristics in Virtual Asset Investment Decision-Making](#) (July 2023).

<sup>67</sup> *Ibid.* at p. 9. Herding refers to investors making decisions based on other investors’ decisions. Secure Obedience refers investors making decisions based on authority figures rather than their own skills and knowledge, possibly due to lower risk tolerance after prior losses. Distrustful Empiricism refers to investors relying on their own personal experiences, both previous and recent, rather than long-term objective data. Wishful Speculation refers

these mental shortcuts allow an investor to “think fast,” but can lead to “poor, suboptimal or irrational decisions made with biases when overemployed as a decision-making strategy.”<sup>68</sup>

## 3.2. Crypto-Asset Landscape

In the intervening years since the 2020 report, the crypto-asset space has seen a number of developments, especially affecting retail investors:

- The 2022 crypto winter and continued volatility to present;
- High-profile failures and bankruptcies; and
- Other frauds and investor losses.

In addition, as discussed in Sections 3.2.3 and 3.2.4 below, the regulatory landscape of the jurisdictions of C8 members have become more active both by way of new regulations impacting crypto-assets and more active enforcement of existing rules applied to crypto-asset market participants.

### 3.2.1. Continued Volatility and the 2022 Crypto Winter

In 2022, the crypto-assets markets took a severe downturn that has since been dubbed the 2022 “crypto winter.” High inflation around the world, which led to interest rate increases by many central banks, has been identified as a trigger for the downturn.<sup>69</sup> In addition, a number of high-profile frauds, failures, and bankruptcies in the crypto-asset markets, precipitated a loss of confidence among investors in crypto-assets.

In response to rising rates, investors began selling riskier assets, including crypto-assets.<sup>70</sup> This led to the collapse of overly leveraged crypto-asset participants, including crypto-asset trading and lending platforms and hedge funds.<sup>71</sup> An analysis of seven popular crypto-assets showed a decline of between 55% to 100% in 2022.<sup>72</sup>

The 2022 crypto winter followed a time when crypto-assets were reaching all-time highs in late 2021.<sup>73</sup> Bitcoin had reached an all-time high of above US\$67,000 in November 2021 before falling

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to investors tending to speculate by holding onto assets with decreased value. Intuitive Confidence refers to investors tending to believe strongly in their personal insights and intuition.

<sup>68</sup> *Ibid.* at p. 4.

<sup>69</sup> See Semczuk, N., [What is a crypto winter?](#), Bankrate.com (October 25, 2023). See also OECD, [Lessons from the Crypto Winter: DeFi versus CeFi](#) at pp. 4 and 9-11.

<sup>70</sup> See Duggan, W., [What is Crypto Winter?](#), Forbes (April 20, 2023).

<sup>71</sup> *Ibid.*

<sup>72</sup> See DeVon, C., [Bitcoin lost over 60% of its value in 2022—here’s how much 6 other popular cryptocurrencies lost](#), CNBC.com (December 23, 2022).

<sup>73</sup> See Gura, D., [2022 was the year crypto came crashing down to Earth](#), NPR (December 29, 2022).

to near US\$16,000 by November 2022.<sup>74</sup> Just before the 2022 crypto winter, crypto-asset participants were spending millions in marketing to the general public with high-profile advertising. For example, millions of U.S. dollars were spent for Super Bowl advertisements in February 2022 by several crypto-asset participants.<sup>75</sup>

Recently, bitcoin and other crypto-assets have been exhibiting continued volatility as bitcoin reached highs in March 2024 that were last seen in 2021.<sup>76</sup> Along with the approval of certain spot bitcoin ETPs,<sup>77</sup> some speculate that the upsurge was caused, in part, by speculation that the “halvening” of bitcoin, which occurred in April 2024, would contribute to a price increase.<sup>78</sup> Halvening refers to a 50% reduction in the number of new bitcoins that are minted as rewards for proof-of-work consensus participation, and halvenings have previously occurred in 2012, 2016, and 2020.<sup>79</sup> However, since the highs in March 2024, bitcoin retreated as much as 20% in May 2024 and 15% in August 2024.<sup>80</sup> From the highs in 2021 to the 2022 crypto winter to the recent upsurge and subsequent retreat, price volatility continues to be a hallmark of crypto-assets.

### 3.2.2. High-profile Frauds, Failures, and Bankruptcies

Precipitating, coinciding with, and/or resulting from the crypto winter of 2022 were a number of frauds and failures by high-profile crypto-asset market participants. In May 2022, the prices of TerraUSD and Luna, a so-called stablecoin pair,<sup>81</sup> dropped precipitously, according to one analysis, because of abnormally large sales of TerraUSD.<sup>82</sup> The drop to zero for TerraUSD and Luna wiped out US\$50 billion in capitalization and caused over US\$400 billion in losses for the broader crypto-

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<sup>74</sup> See Coindesk, [Bitcoin prices](#).

<sup>75</sup> See Sarkar, A., [Super Bowl 2022: Here's the scoreboard of crypto ads](#), Cointelegraph (February 14, 2022).

<sup>76</sup> See Lang, Cooper, and Banerjee, [Bitcoin rockets to record high as investors cheer ETFs, rate prospects](#).

<sup>77</sup> See notes 15-18 and accompanying text.

<sup>78</sup> See Saul, D., [Bitcoin Halving: Here's Why Some Expect Prices To Soar](#), Forbes (April 17, 2024), and Conway, L., [Bitcoin Halving: What It Is and Why It Matters for Crypto Investors](#), Investopedia (updated August 8, 2024) (noting that the latest halving occurred on April 19, 2024). See also Wright, L., [Bitcoin Ordinals May Push Fees Above Mining Rewards In 2024](#), Forbes (February 22, 2024) (the introduction of bitcoin Ordinals, turning certain bitcoins into a form of NFT, may also contribute to increasing bitcoin prices).

<sup>79</sup> *Ibid.*

<sup>80</sup> See Coindesk, [Bitcoin prices](#).

<sup>81</sup> See Kaur, G., [Stablecoins 101: What are crypto stablecoins, and how do they work?](#), Cointelegraph (updated March 11, 2024).

<sup>82</sup> See Osipovich, A. and Ostroff, C., [Crash of TerraUSD Shakes Crypto. 'There Was a Run on the Bank.'](#), The Wall Street Journal (May 12, 2022), Chainalysis, [The Trades That Triggered TerraUSD's Collapse](#) (June 9, 2022), Corporate Finance Institute, [What Happened to Terra?](#) (n.d.). See generally Badev, Anton, and Cy Watsky, [Interconnected DeFi: Ripple Effects from the Terra Collapse](#), Finance and Economics Discussion Series 2023-044, Washington: Board of Governors of the Federal Reserve System (May 9, 2023).

asset markets.<sup>83</sup> This crash caused thousands of investors to lose millions, with some losing their life savings.<sup>84</sup>

According to one report, the collapse of TerraUSD and Luna may have led to the bankruptcy of Three Arrows Capital, a crypto-asset hedge fund.<sup>85</sup> The firm reportedly had managed about US\$10 billion in assets and was one of the most prominent crypto-asset hedge funds in the world.<sup>86</sup> According to one analysis, the fall of TerraUSD/Luna and this firm resulted in a domino effect that led to the bankruptcies of several other crypto-asset participants<sup>87</sup> including the high-profile collapse and bankruptcy of FTX in November 2023,<sup>88</sup> which just earlier that year spent millions on Super Bowl advertisements.<sup>89</sup>

The bankruptcies of Celsius Networks,<sup>90</sup> Voyager Digital,<sup>91</sup> and BlockFi<sup>92</sup> were also part of a string of bankruptcies that started in early 2022. These companies offered financial products and services to holders of crypto-assets. Investors were offered the ability to either earn interest on deposited crypto-assets or obtain loans backed by crypto-assets as collateral.

Investors may have had a false sense of security with what appeared to be the bank-like services offered by these crypto-asset participants and/or in products that were ostensibly backed by the deposits of the investors. However, these crypto-asset participants used these deposits for speculative activity, including lending these deposits to other crypto-asset participants, like Three

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<sup>83</sup> See Corporate Finance Institute, [What Happened to Terra?](#) (n.d.).

<sup>84</sup> *Ibid.* See also Dolmetsch, C., [Terraform to Pay \\$4.47 Billion to Settle SEC Fraud Case](#), Bloomberg News (June 12, 2024) (Terraform and founder, Do Kwon, agreeing to pay about US\$4.6 billion in disgorgement, interest, and penalties in order to resolve a lawsuit by the US SEC after a jury found the parties liable for (1) fraud for falsely claiming Chai, a popular Korean payment application, was using Terraform's blockchain technology to make transactions; and (2) misleading investors about the stability of the stablecoin).

<sup>85</sup> See Sigalos, M., [From \\$10 billion to zero: How a crypto hedge fund collapsed and dragged many investors down with it](#), CNBC.com (July 11, 2022).

<sup>86</sup> *Ibid.*

<sup>87</sup> See note 12.

<sup>88</sup> See note 13. In May 2024, the FTX estate announced that they would be able to distribute between US\$14.5 billion and US\$16.3 billion to creditors, including customers that were left without access to their accounts because of FTX's November 2022 bankruptcy, thereby repaying all non-governmental creditors in full. See Berwick, A., [FTX Creditors Will Be Repaid in Full, Crypto Exchange's Estate](#), The Wall Street Journal (May 8, 2024). However, some have pointed out that this doesn't make customers whole as the value of bitcoin has substantially increased since the 2022 crypto winter. See Yaffee-Bellany, D., [FTX Customers Poised to Recover All Funds Lost in Collapse](#), The New York Times (May 8, 2024). In addition, some customers may have sold their FTX claims for pennies on the dollar. *Ibid.*

<sup>89</sup> See note 75.

<sup>90</sup> See Knauth, D., [Celsius Network chooses NovaWulf bid for bankruptcy exit](#).

<sup>91</sup> See Knauth, D., [U.S. bankruptcy judge approves Binance.US \\$1.3 bln deal for Voyager](#), Reuters (March 7, 2023).

<sup>92</sup> See Reuters, [Crypto lender BlockFi begins post-bankruptcy wind-down](#) (October 25, 2023).

Arrows Capital and the FTX-affiliated hedge fund, Alameda Research.<sup>93</sup> The failures of FTX and Three Arrows Capital, and the subsequent requests to withdraw assets, led to bankruptcies.

Fraudulent activity by some of these crypto-asset participants also contributed to their failures and bankruptcies and, as a result, investor and market harm. The collapse of these firms resulted in the loss of billions of U.S. dollars to retail investors. The US SEC and U.S. Commodity Futures Trading Commission (CFTC) have brought enforcement actions against individuals and entities associated with Terraform Labs (the company behind TerraUSD),<sup>94</sup> FTX,<sup>95</sup> Celsius,<sup>96</sup> and other participants for fraudulent activity.

### 3.2.3. Other Frauds, Losses, and Enforcement/Regulatory Actions

Since 2020, authorities in various C8 jurisdictions have increased their enforcement and regulatory activities with respect to crypto-asset fraud as well as noncompliance with regulatory requirements. Following are two notable examples of types of fraud involving crypto-assets—relationship investment scams and artificial intelligence investment frauds, as well as examples of enforcement and other regulatory activities by authorities.

#### — Relationship Investment Scams

Relationship investment scams, including romance scams, have become an increasing problem globally since 2020. It has been reported that these frauds are large-scale and operated by organized

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<sup>93</sup> See Global Legal Insights, [False friends and creditors: The saga of recent crypto insolvencies](#), Blockchain & Cryptocurrency Laws and Regulations 2024 (2024).

<sup>94</sup> See US SEC, [Terraform and Kwon to Pay \\$4.5 Billion Following Fraud Verdict](#) (June 13, 2024).

<sup>95</sup> See [SEC v. Samuel Bankman-Fried](#) (December 13, 2022), [SEC v. Ellison and Wang](#) (December 21, 2022), and [SEC v. Nishad Singh](#) (February 28, 2023), in which the US SEC charged these officers of the company for their roles in a multiyear scheme to defraud equity investors in FTX; and [CFTC v. Samuel Bankman-Fried, FTX Trading and Alameda Research](#) (December 13, 2022), [CFTC v. Caroline Ellison and Zixiao “Gary” Wang](#) (December 21, 2022), and [CFTC v. Nishad Singh](#) (February 28, 2023) in which the CFTC charged these officers for involvement in a fraudulent scheme that caused the loss of over US\$8 billion in FTX customer deposits. See also Yaffe-Bellany, D., Goldstein, M., and Flitter, E., [Prosecutors Say FTX Was Engaged in a ‘Massive, Yearslong Fraud’](#), The New York Times (December 13, 2022); and U.S. Department of Justice, [Samuel Bankman-Fried Sentenced to 25 Years for His Orchestration of Multiple Fraudulent Schemes](#) (March 28, 2024) in which Bankman-Fried was subsequently found guilty and sentenced to 25 years in prison, three years of supervised release, and ordered to pay US\$11 billion in forfeiture for his orchestration of multiple fraudulent schemes.

<sup>96</sup> See [SEC v. Celsius](#) (July 13, 2023), in which the US SEC charged Celsius with violating registration and anti-fraud provisions of the federal securities laws; and [CFTC v. Alexander Mashinsky and Celsius Network](#) (July 13, 2023), in which the CFTC charged the defendants with fraud and material misrepresentations in connection with the operation of its crypto-asset-based finance platform, falsely touting high profits and security to induce customers to deposit their crypto-asset commodities on the platform. See also [FTC v. Celsius](#) (July 13, 2023), in which the U.S. Federal Trade Commission charged the company and its top executives with misappropriating more than US\$4 billion in customer funds and deceiving users by falsely promising them that they could withdraw their deposits at any time, that the company maintained a US\$750 million insurance policy for deposits, that it had sufficient reserves to meet customer obligations, and that customers could earn rewards on deposits of crypto-assets as high as 18 percent.

crime syndicates, particularly from Asia,<sup>97</sup> that also employ human trafficking and forced labor to facilitate their crimes. Some estimates put the value of crypto-assets collected by these frauds in excess of US\$3.5 billion in the United States<sup>98</sup> and US\$75 billion globally.<sup>99</sup> These relationship investment scams are sometimes referred to by the pejorative term “pig butchering” scams.

In these scams, fraudsters commonly solicit victims through online dating sites or apps, social media, and increasingly through pretending to be an “old friend” or a seemingly random “wrong number” SMS text or messaging app message. Once the connection is made, the fraudsters convince their targets to trust them and eventually persuade victims to invest in fraudulent schemes, including those relating to crypto-assets. The victims may be directed to wire money or transfer crypto-assets to fraudulent trading websites or apps. Fraudsters may direct investors to get bitcoin at a bitcoin ATM (or kiosk) or through a crypto-asset platform, and then tell investors where to send that bitcoin.

After the victims wire money or transfer crypto-assets, they see their balances purportedly growing at incredible rates, and are pressured to invest more and more. Victims are often encouraged to make small withdrawals to build trust. However, when victims try to withdraw larger amounts of money, the fraudsters often come up with an excuse why that is not possible, or they may tell victims for the first time that they must pay more to cover fees or taxes, and ultimately access to their funds is blocked.<sup>100</sup>

#### — Artificial Intelligence Investment Frauds

Another type of fraud recently seen in the crypto-asset markets relates to claims about artificial intelligence. While rapid technological change can create investment opportunities, bad actors often use the hype around new technological developments, like artificial intelligence, to lure investors into schemes.<sup>101</sup> These bad actors might use catchy AI-related buzzwords and make

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<sup>97</sup> See McPhersen, P. and Wilson, T., [Crypto scam: Inside the billion-dollar ‘pig-butchering’ industry](#), Reuters (November 23, 2023).

<sup>98</sup> See Dilanian, K., [With ‘pig butchering’ scams on the rise, FBI moves to stop the bleeding: Victims of the sophisticated online con are likened to hogs, fattened up for slaughter](#), NBCNews.com (February 5, 2024). See also Rebane, T. and Watson, I., [Killed by a scam: A father took his life after losing his savings to international criminal gangs. He’s not the only one](#), CNN (June 18, 2024).

<sup>99</sup> See Griffin, J.M. and Mei, K., [How Do Crypto Flows Finance Slavery? The Economics of Pig Butchering](#) (February 29, 2024).

<sup>100</sup> See, e.g., [CFTC v. Debiex, No. 24-cv-00117](#) (D. Ariz. Jan. 17, 2024) (the CFTC alleged that fraudsters befriended targets on social media, promoted fake digital asset trading offers, and stole over US\$2.3 million dollars from five targets).

<sup>101</sup> See US SEC Staff, [Artificial Intelligence \(AI\) and Investment Fraud: Investor Alert](#) (January 25, 2024). In instances where citations note the author as “US SEC Staff,” the views and opinions expressed in the cited work are those of the author and does not necessarily reflect the views of the US SEC, its Commissioners, or other members of the US SEC’s staff.

claims that their companies or business strategies guarantee huge gains.<sup>102</sup> Red flags of these types of scams include high-pressure sales tactics by unregistered individuals, promises of quick profits, or claims of guaranteed returns with little or no risk.<sup>103</sup> Fraudsters might also impersonate legitimate investment professionals—and many use phony personal websites to bolster their credibility.<sup>104</sup>

### — Thailand

The fraud and scam types frequently observed by Thai SEC recently include:

- Scams and frauds through social media, such as the provision of unlicensed investment advice through online courses or closed groups on social media, offering unlicensed services or fraudulent schemes, or illegally dispersing electronic messages.

In 2023 and 2024, the Thai SEC issued a total of five press releases<sup>105</sup> to warn the public and investors to be cautious with the services provided by unlicensed crypto-asset business operators and filed two criminal complaints<sup>106</sup> with the Royal Thai Police against unlicensed crypto-asset business operators for further legal proceedings.

- Scams that lure investors into crypto-asset-related investments.

The pattern of these scams often starts through social platforms, such as Facebook, TikTok, Line, and Tinder, etc., to build trust or intimate relationship and then lure the

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<sup>102</sup> *Ibid.* See also CFTC, [Customer Advisory: AI Won't Turn Trading Bots into Money Machines](#) (n.d.). See, e.g., [SEC v. Sewell and Rockwell Capital Management](#) (February 2, 2024) (settled fraud charges involving a scheme in which Sewell encouraged hundreds of his online students to invest in a hedge fund that he claimed he would launch, and which would use cutting-edge technologies like artificial intelligence and trading strategies involving crypto assets to generate returns for investors); [CFTC v. Temurian and Vista Network Technologies, No. 23-cv-01235](#) (E.D.N.Y. Feb. 15, 2023) (the CFTC has alleged that the defendant falsely claimed that “robot traders” and proprietary algorithms could generate guaranteed profits); and [CFTC v. Mirror Trading International and Steynberg, No. 1-22-cv-00635](#) (W.D. Tex. Apr. 24, 2023) (defendants misrepresented material facts in the website and social media solicitations about how the trading “bot” achieved profits of 10% per month when, in reality, there was no trading bot, and the defendant misappropriated customer’s bitcoin for personal use—at least 29,421 Bitcoin with a value of over \$1.73 Billion from at least 23,000 victims).

<sup>103</sup> See US SEC Staff, [Artificial Intelligence \(AI\) and Investment Fraud: Investor Alert](#).

<sup>104</sup> *Ibid.*

<sup>105</sup> See Thai SEC, [SEC warns the public and investors to be cautious of unlicensed business operators](#) (September 27, 2023); Thai SEC, [SEC and ECD investigate public solicitation of unlicensed business operators](#) (September 28, 2023); Thai SEC, [SEC warns the private sector to beware of the activities that may be considered “unlicensed business undertakings”](#) (October 17, 2023); Thai SEC, [SEC warns the public and investors to be cautious with the services provided by unlicensed digital asset business operators](#) (December 15, 2023); and Thai SEC, [SEC collaborates with government agencies to restrict access to unlicensed digital asset service platforms](#) (April 19, 2024).

<sup>106</sup> See Thai SEC, [SEC files a criminal complaint against two entities relating to the website: 1000x.live for unlicensed operation of digital asset dealer business](#) (March 31, 2023); Thai SEC, [SEC files criminal complaint against three offenders related to the Website: Bybit.com for operating digital asset exchange business without license](#) (December 22, 2023).

victim into an investment fraud. The scammers promised high returns and convinced the victims to invest in crypto-assets continually based on the scammers' advice. The profits shown in the account were illusory. When the victims attempted to withdraw their money, they were unable to do so, causing them to lose a substantial amount of money. Other fraudulent activities, such as romance scams, Ponzi schemes, and investment scams, are not regulated by the Thai SEC; although the police stated that some parts of the fraudulent funds were converted to crypto-assets in an attempt to hide the money trail.

The Thai SEC launched the Investment Scam Hotline, a direct channel for the public to report instances of financial scams in the capital market, in November 2023.<sup>107</sup> In this regard, the Thai SEC has taken actions by verifying and further investigating cases promptly and notifying relevant authorities and social platform service providers to block or remove fraudulent activities from the platforms immediately to protect the public from further harm and loss. As of June 30, 2024, the Thai SEC received a total of 2,666 scam reports from the public and successfully closed 97% of investment scams via Facebook, Line, Tiktok, and Instagram.

#### — US SEC Enforcement Actions

To protect investors, and in addition to actions by other U.S. authorities,<sup>108</sup> the US SEC is actively bringing enforcement actions relating to crypto-assets and, to date, has brought more than 160 such enforcement actions.<sup>109</sup> The actions encompass a broad range of charges from fraud to registration violations, and other violations of the federal securities laws in the United States.

For example, in one case,<sup>110</sup> the US SEC charged the respondent with failing to register the offer and sale of a retail crypto-asset lending product that allowed U.S. investors to deposit or purchase

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<sup>107</sup> See Thai SEC, [SEC launches Investment Scam Hotline to protect the public from frauds](#) (November 6, 2023).

<sup>108</sup> See notes 95 and 96. See, e.g., [United States v. Binance](#) (November 21, 2023) (Binance, the largest crypto-asset trading platform in the world, pleaded guilty to engaging in anti-money laundering, unlicensed money transmitting, and sanctions violations, and agreed to pay over US\$4 billion in financial penalties), for a high-profile example of enforcement of the U.S. anti-money laundering and sanctions laws by the U.S. Department of Justice and the U.S. Department of Treasury through the Financial Crimes Enforcement Network, the Office of Foreign Assets Control, and IRS Criminal Investigation. See also U.S. Department of Treasury, [U.S. Treasury Announces Largest Settlements in History with World's Largest Virtual Currency Exchange Binance for Violations of U.S. Anti-Money Laundering and Sanctions Laws](#) (November 21, 2023); [CFTC v. Binance](#) (March 27, 2023); CFTC, [CFTC Charges Binance and Its Founder, Changpeng Zhao, with Willful Evasion of Federal Law and Operating an Illegal Digital Asset Derivatives Exchange](#) (March 27, 2023); Singh, K., [US court approves order for Binance to pay \\$2.7 bln to CFTC](#), Reuters (December 19, 2023).

<sup>109</sup> See US SEC, [Crypto Assets and Cyber Enforcement Actions](#). See also Wright, T., [SEC crypto enforcement actions under Gary Gensler reach 10-year high](#), Cointelegraph (January 24, 2024).

<sup>110</sup> [In the Matter of BlockFi Lending LLC, SEC Release No. 33-11209](#) (February 14, 2022). See also [In the Matter of TradeStation Crypto, Inc., SEC Release No. 33-11269](#) (February 7, 2024) (action involving unregistered offers and sales of a crypto-asset lending product in which company settled the charges and agreed to pay a US\$1.5 million penalty); and [SEC v. Genesis Global Capital, LLC et al.](#) (March 2024) (final judgments in which company agreed, among other things, to a civil injunction and to pay US\$21 million to settle charges that it engaged in



crypto-assets in an account in exchange for the company’s promise to pay interest. The US SEC also charged the company with violating the registration provisions of the Investment Company Act of 1940. The US SEC found the retail crypto-asset lending product to be offered and sold in unregistered securities transactions. As such, the company was required to register the offer and sale of the product under U.S. federal securities laws but failed to do so. The company settled the charges and agreed to, among other things, pay a US\$50 million penalty to the US SEC and cease its unregistered offers and sales of its crypto-asset lending product.

The US SEC has also charged several crypto-asset intermediaries, including Coinbase, Binance, Kraken, and Bittrex, for operating as unregistered national securities exchanges, unregistered broker-dealers, and unregistered clearing agencies.<sup>111</sup> The US SEC alleges that each of these entities intertwines the traditional services of an exchange, broker, dealer, and clearing agency without having registered as an entity providing any of those services with the US SEC as required by U.S. federal securities law.

According to the US SEC, the alleged failure of all these platforms to register to engage in these activities has deprived investors of significant protections, including inspection by the US SEC, recordkeeping requirements, and safeguards against conflicts of interest, among others. In addition, the US SEC has charged and/or entered into settlements with such entities for its unregistered offers and sales securities, including those involving staking programs. For example, in actions against Coinbase and Kraken, respectively, the US SEC charged or settled with these entities for failing to register its offers and sales of interests in its staking programs in which retail investors invest crypto-assets in exchange for advertised annual investment returns.<sup>112</sup>

The US SEC enforces the federal securities laws with respect to activities in the crypto-asset markets regardless of the labels that participants in those markets may attach to their activities. While some crypto-asset market participants claim their so-called “decentralized” status makes them immune from regulation, the US SEC has been successful in pursuing enforcement actions against such entities and persons. For example, the US SEC issued an investigative report cautioning market participants that offers and sales of crypto-assets as securities by “DAOs” or unincorporated entities are subject to the federal securities laws.<sup>113</sup>

More recently, the US SEC charged two founders and an entity referred to as a “DAO” or “decentralized autonomous organization,” for engaging in the unregistered offer and sale of crypto-assets as securities.<sup>114</sup> The US SEC also charged the respondents with violations stemming from

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unregistered offers and sales of a crypto-asset lending product to retail investors through the company’s crypto-asset lending program).

<sup>111</sup> See [SEC v. Coinbase](#) (June 6, 2023); [SEC v. Binance](#) (June 5, 2023); [SEC v. Payward \(d/b/a Kraken\)](#) (November 20, 2023); and [SEC v. Bittrex](#) (April 17, 2023).

<sup>112</sup> [SEC v. Payward \(d/b/a Kraken\)](#) (February 9, 2023).

<sup>113</sup> See US SEC, [SEC Issues Investigative Report Concluding DAO Tokens, a Digital Asset, Were Securities](#), [SEC Release No. 34-81207](#) (July 15, 2017).

<sup>114</sup> See US SEC, [BarnBridge DAO Agrees to Stop Unregistered Offer and Sale of Structured Finance Crypto Product](#) (December 22, 2023); *In the Matter of BarnBridge DAO*, [SEC Release No. 33-11262](#) (December 22, 2023); and *In the Matter of Ward and Murray*, [SEC Release No. 33-11261](#) (December 22, 2023). See also [SEC v. Eisenberg](#)

operating the investment pools at issue as unregistered investment companies. To settle the charges, the company agreed to disgorge nearly US\$1.5 million of proceeds from the sales, and US\$125,000 in civil penalties.

The US SEC recognizes the impact of noncompliance with the U.S. federal securities laws on victims, including those targeted by predatory inclusion tactics. The US SEC has charged influential individuals such as celebrities and athletes for touting unregistered crypto-asset offerings to investors without disclosing that they are being compensated to do so.<sup>115</sup> For instance, one celebrity was charged with making materially false and misleading tweets about supposed returns from his crypto-asset investments while not disclosing that he was being paid hundreds of thousands of dollars for his tweets.<sup>116</sup>

Additionally, the US SEC has pursued many actions for fraudulent conduct involving crypto-assets offered and sold as securities. For example, the US SEC recently halted and charged individuals in a US\$300 million Ponzi scheme that targeted more than 40,000 predominantly Latino investors in the United States and two other countries that fraudulently promised investors returns of 15% to 100% through its proprietary crypto-asset and foreign exchange trading platform.<sup>117</sup>

Supporting these enforcement actions, the US SEC nearly doubled in 2022 the number of positions in the enforcement unit responsible for protecting investors in the crypto-asset markets and from cyber-related threats.<sup>118</sup>

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(January 20, 2023) (action charging defendant with manipulation a so-called “governance” token that was offered and sold in unregistered securities transactions); and *In the Matter of Coburn*, [SEC Release No. 34-84553](#) (November 8, 2018) (settled charges against the founder of a so-called “decentralized” crypto-asset trading platform that operated as an unregistered national securities exchange).

<sup>115</sup> See, e.g., US SEC, [SEC Charges Crypto Entrepreneur Justin Sun and his Companies for Fraud and Other Securities Law Violations](#) (March 22, 2023) (settled orders against some parties) (alleging that celebrities Lindsay Lohan, Jake Paul, DeAndre Cortez Way (Soulja Boy), Austin Mahone, Michele Mason (Kendra Lust), Miles Parks McCollum (Lil Yachty), Shaffer Smith (Ne-Yo), and Aliaune Thiam (Akon) illegally touted crypto-assets offered and sold as securities Tronix (TRX) and/or BitTorrent (BTT) without disclosing that they were compensated for doing so); US SEC, [SEC Charges Kim Kardashian for Unlawfully Touting Crypto Security](#) (October 3, 2022) (settled order).

<sup>116</sup> See *In the Matter of Pierce*, [SEC Release No. 33-11157](#) (February 17, 2023) (finding that Pierce tweeted misleading statements related to EMAX tokens, which he was paid to promote, including tweeting a screenshot of an account showing large holdings and profits without disclosing that his own personal holdings were in fact much lower than those in the screenshot).

<sup>117</sup> [SEC v. Sanchez, et al.](#) (March 14, 2024). See also [SEC v. NovaTech, et al.](#) (August 12, 2024) (charging defendants for operating a fraudulent scheme that raised more than US\$650 million in crypto-assets from more than 200,000 investors worldwide, including many in the Haitian-American community); [SEC v. Lee and Chunga](#) (January 29, 2024) (charging defendants with involvement in a fraudulent crypto-asset pyramid scheme known as HyperFund that raised more than US\$1.7 billion from investors worldwide); and [SEC v. Bitconnect, et al.](#) (September 1, 2021) (charges against global crypto-asset lending platform and top executives in US\$2 billion fraud).

<sup>118</sup> See US SEC, [SEC Nearly Doubles Size of Enforcement’s Crypto Assets and Cyber Unit](#) (May 3, 2022).

## — CFTC Enforcement Actions

In the United States, the CFTC has authority over non-security commodities-based U.S. derivative markets, which includes commodity-based futures, swaps, and certain kinds of options. There exists a regulatory gap in the United States over the spot market of crypto-asset non-security commodities. While the CFTC lacks general regulatory authority over cash commodity markets, it has general fraud and manipulation enforcement authority over bitcoin and other crypto-asset non-security commodities since 2014.

Because the CFTC cannot use the traditional regulatory oversight of other commodity-based products, the agency relies on complaints and tips from customers and whistleblowers. The CFTC’s Office of Customer Education and Outreach monitors market, complaint, and enforcement activity to alert the public about developing trends and to encourage fraud reporting.

Since 2020, the CFTC has brought 82 actions involving conduct related to crypto-asset commodities, including 47 actions in 2023, that represent nearly half of all actions filed during that year.<sup>119</sup> In addition to high-profile enforcement actions addressing frauds by major crypto-asset platforms and Ponzi-schemers,<sup>120</sup> the CFTC won a first-of-its-kind litigation victory against a decentralized autonomous organization,<sup>121</sup> brought an innovative litigation involving cross-market manipulation in blockchains,<sup>122</sup> and continued its efforts to protect the public in the decentralized finance space.<sup>123</sup>

## — FINRA Actions

In the United States, FINRA is a not-for-profit self-regulatory organization that oversees U.S. broker-dealers. In November 2022, FINRA launched a targeted exam to review the practices of certain member firms that actively communicated with retail customers concerning crypto-assets and crypto-asset-related services.<sup>124</sup>

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<sup>119</sup> See US CFTC, [CFTC Releases FY 2023 Enforcement Results](#) (November 7, 2023).

<sup>120</sup> See notes 95-96 and 108. See also [CFTC v. Mirror Trading and Steynberg](#) (September 7, 2023) (obtaining orders requiring Mirror Trading and Cornelius Johannes Steynberg to pay more than US\$1.7 billion in restitution to victims and a US\$1.7 billion civil monetary penalty).

<sup>121</sup> See [CFTC v. Ooki DAO](#) (September 22, 2022) (winning a default judgment order against the Ooki DAO, a decentralized autonomous organization the CFTC charged with operating an illegal trading platform and unlawfully acting as a futures commission merchant (FCM) with the court holding that the Ooki DAO could be sued and served as an unincorporated association and is a “person” under the CEA and thus can be held liable for violations of the law).

<sup>122</sup> See [CFTC v. Avraham Eisenberg](#) (January 9, 2023) (charging defendant for a fraudulent and manipulative scheme to unlawfully obtain over US\$110 million in crypto-assets from Mango Markets, a purported decentralized crypto-asset exchange, utilizing a complex manipulation strategy).

<sup>123</sup> See [CFTC Issues Orders Against Operators of Three DeFi Protocols for Offering Illegal Digital Asset Derivatives Trading](#) (September 7, 2023).

<sup>124</sup> See FINRA, [Crypto Asset Communications](#) (November 2022).

FINRA reviewed retail communications received from these firms for compliance with rules which requires, among other things, that broker-dealer communications with the public be fair and balanced, and that they provide a sound basis for evaluating the facts regarding any product or service discussed. The applicable rules prohibit claims that are false, exaggerated, promissory, unwarranted, or misleading and also prohibits the omission of any material fact if the omission, in light of the context of the material presented, would cause a communication to be misleading.

FINRA reviewed more than 500 crypto-asset-related retail communications and identified potential violations in 70% of crypto-asset communications it reviewed.<sup>125</sup> Potential violations included:

- false statements or implications that crypto-assets functioned like cash or cash equivalent instruments;
- comparisons of crypto-assets to other assets (e.g., stock investments or cash) without providing a sound basis to compare the varying features and risks of these investments; and
- unclear and misleading explanations of how crypto-assets work and their core features and risks.

#### — *Hong Kong Actions*

The Hong Kong Securities and Futures Commission (SFC) has been actively investigating unlicensed activities and fraud relating to crypto-assets (also referred to as virtual assets by the SFC) since 2018 with the aim of identifying wrongdoers and taking legal actions against them. Additionally, in view of the cross-border jurisdictional challenges and the anonymity of the perpetrators, the SFC has been taking measures to warn investors and disrupt the operation of fraudulent websites/platforms in a timely manner. Between 2023 to June 2024, the SFC has:

- issued 24 crypto-asset-related warning statements to the public;
- put 51 entities/suspicious products onto its alert lists;<sup>126</sup>
- held two press conferences;
- taken measures to block Hong Kong internet access from websites of fraudulent websites/platforms and taken down some related social media accounts/posts; and
- notified 20 social media key opinion leaders, over-the-counter crypto-asset money changers, and crypto-asset platforms of the SFC's suspicions and concerns and requested them to cease promoting related suspicious virtual asset services and products.

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<sup>125</sup> See FINRA, [FINRA Publishes Crypto Asset Communications Sweep Update](#) (January 23, 2024) and FINRA, [FINRA Provides Update on Targeted Exam: Crypto Asset Communications](#) (January 2024).

<sup>126</sup> See *infra* Section 3.2.4 — Hong Kong.

## — Quebec Actions

Quebec’s Autorité des marchés financiers (QAMF) has been proactive in initiating enforcement proceedings in matters relating to crypto-assets, ranging from initial coin offerings and mining operations to portfolio management.<sup>127</sup> Notably the QAMF has successfully brought proceedings against trading platforms operating within Quebec’s provincial borders.<sup>128</sup>

Namely, in the fall of 2023, further to proceedings instituted by QAMF, the Financial Markets Administrative Tribunal issued a series of decisions sanctioning the operators of the foreign-based crypto-asset trading platforms XT.com<sup>129</sup> and CoinEx.com<sup>130</sup> for failing to comply with Quebec securities and derivatives legislation. Both platforms were held to have acted as securities and derivatives dealers without being registered with the QAMF and to have distributed securities and derivatives without the benefit of a prospectus receipted by the QAMF. The decision rendered in the XT.com matter set a precedent for cases involving the illegal distribution of crypto-assets through online trading platforms, regardless of where the platform is located. The actions are part of ongoing coordinated efforts by the Canadian Securities Administrators, which include the QAMF, to enforce crypto-asset trading platform compliance with Canadian securities and derivatives legislation.

In addition, the QAMF has successfully brought penal proceedings (quasi-criminal charges) against the creators and distributors of the virtual currency PlexCoin. The defendants were found guilty of, *inter alia*, distributing securities without a prospectus<sup>131</sup>.

### 3.2.4. Regulatory Changes and Investor Protection Measures

A review of follow-up survey responses from C8 members indicates more regulatory activity across many jurisdictions since the 2020 report. Many jurisdictions have adopted or are planning

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<sup>127</sup> See QAMF’s enforcement proceedings in matters relating to crypto assets: *AMF v. Longpré*, [2021 QCTMF 62](#) (November 18, 2021); *AMF v. G.O. Great Offers Direct Ltd.*, [2021 QCTMF 57](#) (October 12, 2021); *Lacroix v. Autorité des marchés financiers*, [2023 QCCQ 10187](#) (December 11, 2023) (please note that defendants have filed an appeal in respect of an interim judgment that dismissed their motion to stay proceedings). QAMF has also obtained provisional orders in the following ongoing matters: *AMF v. Power Invest Group*, [2018 QCTMF 40](#) (April 13, 2018); *AMF v. Technologies Crypto inc.*, [2019 QCTMF 5](#) (February 4, 2019); *AMF v. Laboratoire Blockchain inc.*, [2019 QCTMF 11](#) (March 12, 2019); *AMF v. Change Marsan inc.*, [2021 QCTMF 43](#) (July 12, 2021); *AMF v. Opération Phoenix inc.*, [2021 QCTMF 23](#) (March 31, 2021); *AMF v. Hope*, [2021 QCTMF 48](#) (August 4, 2021); *AMF v. Technologies Timechain inc.*, [2022 QCTMF 36](#) (May 30, 2022); *AMF v. Élan Future inc.*, [2023 QCTMF 93](#) (December 27, 2023); *AMF v. Zypto SP Zoo*, [2024 QCTMF 8](#) (February 15, 2024); *AMF v. Allard*, [2024 QCTMF 42](#) (April 29, 2024); *AMF v. Latreille*, [2024 QCTMF 24](#) (May 3, 2024).

<sup>128</sup> See *AMF v. XT.com Exchange*, [2023 QCTMF 62](#) (September 20, 2023); *AMF v. Coinex Global Limited*, [2023 QCTMF 75](#) (November 14, 2023).

<sup>129</sup> See QAMF, [XT.com – AMF marks major milestone in offensive to enforce crypto trading platform compliance](#) (September 28, 2023).

<sup>130</sup> See QAMF, [CoinEx– AMF continues its offensive to enforce crypto asset trading platform compliance](#) (November 30, 2023).

<sup>131</sup> See QAMF, [PlexCoin – Dominic Lacroix found guilty](#) (December 19, 2023). Please note that defendants have filed an appeal in respect of an interim judgment that dismissed their motion to stay proceedings.

to adopt regulations applicable to crypto-assets, such as licensing requirements for crypto-asset market participants. In other jurisdictions, where existing regulations apply, authorities are taking active enforcement and other regulatory actions to address crypto-assets within their existing regulatory frameworks.

In either case, based on survey responses by C8 members, it appears that C8 members' jurisdictions are being more active in taking affirmative investor protection measures with respect to crypto-assets. Following are examples of regulatory activities that address crypto-assets in the jurisdiction of certain C8 members.

### — IOSCO

The IOSCO Board's FTF, in accordance with IOSCO's Crypto-Asset Roadmap set out in June 2022,<sup>132</sup> has responded to emerging market integrity and investor protection risks posed by crypto-asset intermediaries by publishing two sets of recommendations: 18 IOSCO policy recommendations for Crypto and Digital Assets (CDA Recommendations)<sup>133</sup> and nine recommendations to address market issues in decentralized finance (DeFi Recommendations)<sup>134</sup> to support greater consistency with respect to regulatory frameworks and oversight in IOSCO member jurisdictions.

The recommendations are principles-based and outcomes-focused, and they apply IOSCO's global standards for financial markets regulation by following a "lifecycle" approach in addressing the key risks identified. They cover the range of activities in crypto-asset markets that involve crypto-asset service providers and crypto-assets, *i.e.*, offering, admission to trading, ongoing trading, settlement, market surveillance, custody, and marketing and distribution to retail investors. For DeFi, the recommendations focus on products, services, activities, and arrangements.

The CDA Recommendations can be grouped into six key areas: (1) conflicts of interest arising from vertical integration of activities and functions; (2) market manipulation, insider trading, and fraud; (3) custody and client asset protection; (4) cross-border risks and regulatory cooperation; (5) operational and technological risk; and (6) retail distribution. The DeFi Recommendations can also be grouped into six key areas: (1) understanding DeFi arrangements; (2) achieving common standards of regulatory outcomes; (3) identification and management of key risks; (4) clear, accurate and comprehensive disclosures; (5) enforcing of applicable laws; and (6) cross-border cooperation.

Following the publication of these IOSCO recommendations, the FTF IWG was established to consider their implementation. The IWG prepared and distributed a survey to all IOSCO members in 2024 to assess progress towards implementation. IOSCO continues analyzing where mutual regulatory challenges lie across IOSCO jurisdictions, and how to continue to encourage implementation of the recommendations.

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<sup>132</sup> IOSCO, [IOSCO Crypto-Asset Roadmap for 2022-2023](#).

<sup>133</sup> IOSCO, [Policy Recommendations for Crypto and Digital Asset Markets Final Report](#).

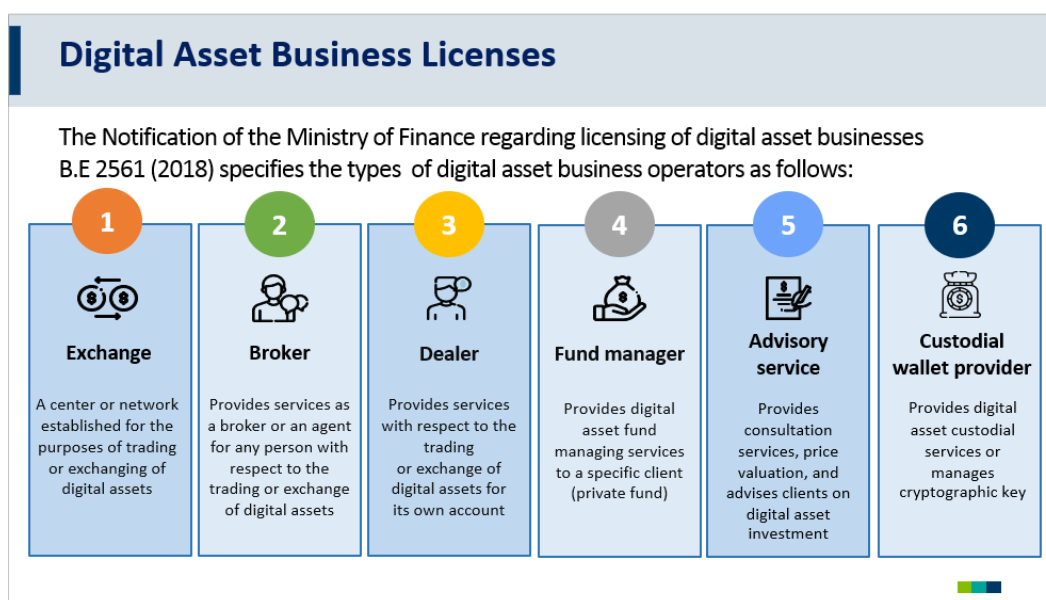
<sup>134</sup> IOSCO, [Final Report with Policy Recommendations for Decentralized Finance \(DeFi\)](#).

The implementation of these recommendations will be integral to addressing risks arising from crypto-assets, in particular with relation to investor protection and market integrity.

— *Thailand*

In Thailand, crypto-assets have been regulated since 2018. Thailand has taken a proactive approach with affirmative laws and regulations that specifically apply to crypto-assets requiring the licensing of “digital asset businesses.”

Thailand initially indicated three specific types of digital assets businesses in their 2019 survey response for the 2020 report that were subject to licensing requirements. Since the 2020 report, the specific types of businesses have expanded to six as Thailand has added the businesses of digital asset fund manager, digital asset advisory service, and digital asset custodial wallet provider to their licensing requirements.



Digital asset businesses must obtain licenses from Thailand’s Minister of Finance and must undergo rigorous inspection and comply with specified rules and regulations laid out by the Thai SEC. Licensed businesses are subject to requirements on their management and governance structure, disclosures regarding their quality of service, and ongoing capital requirements. Additional requirements have been added to licensed businesses since the 2020 report including:

- Prohibiting digital asset businesses from servicing privacy coins;<sup>135</sup>
- Prohibiting digital asset businesses from facilitating the use of crypto-assets as a means of payment;
- Requiring digital asset businesses to provide their clients with education or knowledge tests on crypto-assets;

<sup>135</sup> Privacy coins are crypto-assets with privacy-enhancing features designed to boost anonymity and reduce traceability. See Chainalysis, [Privacy Coins 101: Anonymity-Enhanced Cryptocurrencies](#) (April 18, 2023).

- Requiring digital asset operators to disclose a list of their third-party custodian/affiliated exchange(s) responsible for keeping client’s assets and disclose potential risks associated with clients’ asset custody to their clients;
- Prohibiting digital asset business operators from providing or facilitating crypto-asset deposit taking and lending services with some limited exemptions, such as the staking of crypto-assets for blockchain consensus mechanism; and
- Requiring digital asset business operators to disclose their quality of service, including complaints from clients and technological errors and report IT usage capacity to the Thai SEC.

The Thai SEC is in the process of revising regulations to elevate efficiency of digital business operators’ services concerning governance and management structure standards, business operations standards, initial paid-up capital, on-going capital requirements, and to support Thai custodial wallet providers.

In addition, the Thai SEC is in the process of proposing amendments<sup>136</sup> to their Securities and Exchange Act 1992 (the “Thai Securities Act”) and the Emergency Decree on Digital Asset Business 2018 (the “Decree”). The amendments to the Thai Securities Act will broaden their definition of “securities” to cover the digital tokens that are issued for fundraising purposes (for example, investment tokens). Consequently, the amendments to the Decree will adjust the definition of digital assets (to exclude digital tokens for fundraising) and require crypto-asset issuers to file registration statements and draft prospectuses, including other required documents with the Thai SEC, on a disclosure-based basis instead of obtaining approval.

Lastly, in terms of collective efforts in preventing the public and investors from investment scams including crypto-assets, the Thai SEC in July 2023 jointly with alliances in the Thai capital market industry launched the project “Collaboration in the Fight against Investment Fraud” with the intention to exchange information, examine and detect fake news, and campaign to alert the public to be equipped with immunity and realization not to fall victim to scammers via partners’ channels and media in a variety of formats to reach wider public across the country. The next step is an integration of an operating system among the capital market sector and government authorities that is expected to stop fraudulent activities faster with more effectiveness and efficiency.

### — *European Union*

The Markets in Crypto Assets Regulation (MiCA)<sup>137</sup> was published in June 2023 and goes into effect between June 2024 and December 2024. MiCA introduces a dedicated and harmonized comprehensive framework for markets in crypto-assets at the EU level. The regulation covers crypto-assets that are not currently regulated by existing financial services legislation.

Anyone issuing and trading crypto-assets (including asset-reference tokens and e-money tokens) must adhere to key provisions covering transparency, disclosure, authorization, and supervision of

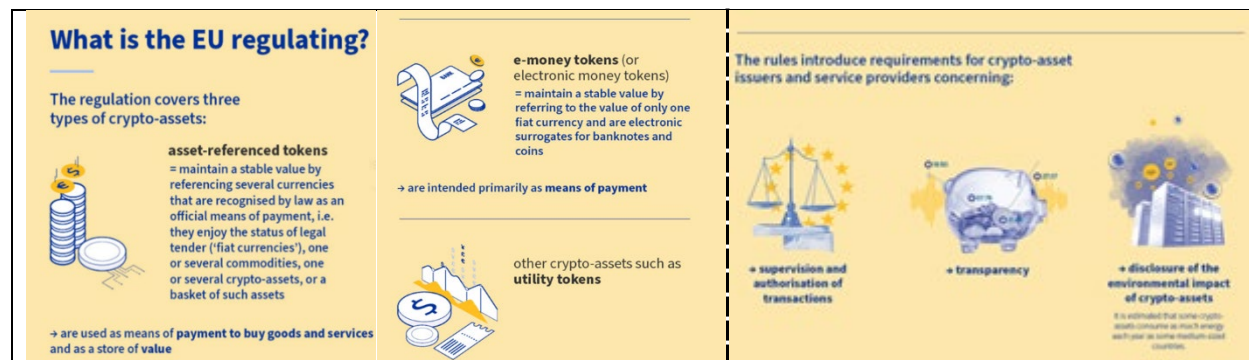
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<sup>136</sup> See Thai SEC, [SEC public hearing on proposed amendments to Digital Asset Business Law to enhance suitability for the characteristics of digital assets and types of associated risks](#) (September 22, 2023).

<sup>137</sup> [Regulation \(EU\) 2023/1114](#) of 31 May 2023.



transactions. The aim of the new legal framework is to support market integrity and financial stability by regulating public offers of crypto-assets and by ensuring consumers are better informed about their associated risks. Adopted under the form of a European Regulation, MiCA will be directly applicable in all EU member states and will thus replace the national frameworks put in place by EU member states.



Source: <https://www.consilium.europa.eu/en/infographics/crypto-assets/>

### — United States – Spot Bitcoin and Ether ETPs

In January 2024, the US SEC approved the listing and trading of spot bitcoin ETPs and, in May 2024, approved the listing and trading of spot ether ETPs on national securities exchanges.<sup>138</sup>

It is important to note that in approving the listing and trading of these spot bitcoin and ether ETPs, the US SEC has not approved or endorsed bitcoin or ether itself, “[n]or does the approval signal anything about the [US SEC]’s views as to the status of other crypto assets under the federal securities laws or about the current state of non-compliance of certain crypto asset market participants with the federal securities laws.”<sup>139</sup>

Instead, the US SEC must evaluate any rule filing by a national securities exchange based upon whether it is consistent with the federal securities laws, including whether it is designed to protect investors and the public interest. The US SEC is merit neutral and does not take a view on a particular company, investment, or asset underlying an ETP. In these instances, the US SEC found that the applications for the spot bitcoin and spot ether ETPs were consistent with federal securities laws.

<sup>138</sup> See note 15 and US SEC, [Release No. 34-100224](#) (May 23, 2024).

<sup>139</sup> See US SEC Chair, [Statement on the Approval of Spot Bitcoin Exchange-Traded Products](#) (January 10, 2024).

— Canada

The Canadian Securities Administrators (CSA)<sup>140</sup> and the Canadian Investment Regulatory Organization (CIRO)<sup>141</sup> have published numerous pieces of guidance regarding the applicability of securities legislation to entities that facilitate the trading of: (a) crypto-assets that may in and of themselves be securities and/or derivatives; or (b) instruments or contracts involving crypto-assets where the assets are not immediately delivered to the investor.<sup>142</sup>

In March 2021, the Ontario Securities Commission (OSC) published a press release requiring crypto-asset trading platforms that were already operating without registration to contact the OSC within a specified timeline to discuss how to bring their operations as a dealer or marketplace into compliance.<sup>143</sup>

Since then, to foster innovation and respond to novel circumstances, the CSA has been facilitating an interim framework that would allow crypto-asset trading platforms to operate within a regulated environment, with regulatory requirements tailored to the platforms' operations.<sup>144</sup> The overall goal of the regulatory framework is to ensure there is a balance between the need to be flexible and to facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

Fifteen crypto-asset trading platforms have become registered in Canada, with two firms having obtained their membership with CIRO.<sup>145</sup> An additional eight crypto-asset trading platforms are operating under a pre-registration undertaking that they filed with the CSA while their application for registration is reviewed. Through these undertakings, crypto-asset trading platforms that have not yet obtained registration have committed to complying with certain terms and conditions that address investor protection concerns and are consistent with requirements currently applicable to

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<sup>140</sup> The CSA is the umbrella organization of Canada's provincial and territorial securities regulators (13) whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. Four CSA members are IOSCO Ordinary members: Ontario (OSC), Quebec (QAMF), Alberta (ASC) and British Columbia (BCSC). See CSA, [Crypto Trading Platforms: Regulation and Enforcement Actions](#).

<sup>141</sup> CIRO is a self-regulatory organization that oversees investment dealers, mutual fund dealers, and trading activity on Canada's debt and equity marketplaces.

<sup>142</sup> As set out in CSA Staff Notice 21-327 [Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets](#) (January 16, 2020) and Joint CSA/CIRO Staff Notice 21-329 [Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements](#) (March 29, 2021), Canadian securities legislation may apply to firms that facilitate the trading of instruments or contracts involving crypto-assets, even if the assets themselves are commodities, because the user's contractual right to the crypto-asset may itself constitute a security and/or a derivative.

<sup>143</sup> OSC, [OSC working to ensure crypto asset trading platforms comply with securities law](#) (March 29, 2021).

<sup>144</sup> As an interim measure, crypto-asset trading platforms have sought registration as a restricted dealer while they take steps to transition to a long-term regulatory framework as a registered investment dealer that is a member of CIRO.

<sup>145</sup> CSA, [Crypto Trading Platforms Authorized to Do Business with Canadians](#). As of August 31, 2024, the number of firms that are currently registered is less than fifteen as several of the firms have either sold their business to, or amalgamated with, other registered firms.

registered crypto-asset trading platforms.<sup>146</sup> The CSA continues to work with the platforms that are operating under a pre-registration undertaking to assess the appropriate path to registration in Canada.

CSA members may take action if a crypto-asset trading platform is doing business with, or soliciting business from, Canadians without being properly regulated.

The CSA has published and regularly updates the following:

- a list of crypto-asset trading platforms authorized to do business with Canadians;<sup>147</sup>
- a list of crypto-asset trading platforms that have filed pre-registration undertakings.<sup>148</sup>
- a list of crypto-asset trading platforms that have been banned in one or more Canadian jurisdiction;<sup>149</sup> and
- investor alerts about potential harmful activity in progress and warnings to caution the public about individuals or companies that may pose risk to investors.<sup>150</sup>

#### — *Hong Kong, China*

To comprehensively regulate all centralized virtual asset trading platforms in Hong Kong and to adopt the latest standards promulgated by the Financial Action Task Force on virtual asset service providers, the Legislative Council of the Hong Kong Special Administrative Region, China, passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 to introduce a new regulatory regime for virtual asset trading platforms. The new regulatory regime came into effect on June 1, 2023, and requires all centralized virtual asset trading platforms conducting business in Hong Kong or actively marketing their services to Hong Kong investors to be licensed and regulated by the SFC.

The SFC formulated the virtual asset trading platform regulatory regime based on the “same business, same risks, same rules” principle. Under the new regime, virtual asset trading platforms are subject to the same regulatory requirements applicable to traditional financial institutions (namely, securities brokers and automated trading venues), with adaptations to address the specific features and risks of virtual assets. The requirements cover areas such as safe custody of client assets, Know-Your-Client processes, anti-money laundering/counter-financing of terrorism, prevention of market manipulative and abusive activities, accounting and auditing, risk management, avoidance of conflicts of interest and cybersecurity.

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<sup>146</sup> As set out in CSA Staff Notice 21-332 [Crypto Asset Trading Platforms: Pre-Registration Undertakings – Changes to Enhance Canadian Investor Protection](#) (February 22, 2023).

<sup>147</sup> CSA, [Crypto Trading Platforms Authorized to Do Business with Canadians](#).

<sup>148</sup> CSA, [Crypto Trading Platforms That Have Filed Pre-Registration Undertakings](#).

<sup>149</sup> CSA, [Banned Crypto Trading Platforms](#).

<sup>150</sup> CSA, [Investor Warnings and Alerts](#).

The new regulatory regime enables retail investors to access licensed virtual asset trading platforms with a series of investor protection measures implemented to ensure suitability. These measures include: assessing the client’s virtual asset knowledge, risk tolerance level and risk profile; setting an exposure limit based on the client’s financial situation and personal circumstances; conducting reasonable due diligence on the virtual assets being made available for trading to satisfy the token admission criteria (including the eligible large-cap virtual asset requirement); and disclosing sufficient product information to help the clients assess their investment.

In addition to regulating virtual asset trading platforms in Hong Kong, the SFC also regulates services provided by SFC-licensed or registered intermediaries (for example, virtual asset fund management, discretionary account management in virtual assets, provision of virtual asset dealing and advisory services).

In view of demand for virtual asset exposure, SFC-authorized virtual asset products were launched to provide Hong Kong investors regulated virtual asset products.

In December 2022, Hong Kong launched Asia’s first virtual asset futures ETFs (bitcoin and ether) followed by the launch of Asia’s first virtual asset spot ETFs (bitcoin and ether) in April 2024. Related investor education resources to complement these products were made available to retail investors to help them understand the risks and features these products present so that they can make informed investment decisions.

### — *Singapore*

Crypto-asset service providers are regulated under the Payment Services Act (PS Act), which came into force in 2020. While originally regulated primarily for money laundering and terrorism financing (ML/TF) risks as well as technology and cyber risks, the Monetary Authority of Singapore (MAS) has in 2023 finalized additional measures to enhance investor protection. These measures<sup>151</sup> include the following areas:

- consumer access safeguards focusing on retail customers;
- enhanced business conduct requirements; and
- enhanced requirements on technology and cyber risk management.

In April 2024, MAS further introduced additional legislation expanding the scope of payment services regulated by MAS and imposing user protection and financial stability-related requirements on crypto-asset service providers.

MAS finalized measures to enhance investor protection regulations on safeguarding of assets belonging to customers of crypto-asset service providers will be implemented in phases.

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<sup>151</sup> See MAS, [Consultation Paper on Proposed Regulatory Measures for Digital Payment Token Services](#) (November 23, 2023).

By end-2024, regulations on safeguarding of assets<sup>152</sup> belonging to customers of crypto-asset service providers should take effect. These include segregating customers' assets and placing them in a trust account for the benefit of customers, maintaining proper books and records, and ensuring that effective systems and controls are in place to protect the integrity and security of customers' assets.

### 3.2.5. Social Media/Influencer/Ads

Social media, which initially was used primarily to connect friends and family through internet applications, has evolved into a means by which any individual (not only celebrities) can directly reach and connect with millions of people. Individuals can become social media “influencers” when they have a large number of followers (sometimes in the millions) and often curate content that appeals to their following. A sub-genre of these influencers focused on financial education may be referred to by some as “finfluencers.”

In recent years, influencers have used social media to promote crypto-assets to a wide audience.<sup>153</sup> This has included major celebrities promoting crypto-assets across social media as well as traditional media outlets.<sup>154</sup>

As mentioned, several surveys have found that retail investors often get their information about crypto-assets from friends and family and social media.<sup>155</sup> And one can easily assume that investors' friends and families also are influenced to a certain extent by social media. This persistent messaging across social media platforms by influencers and targeted advertising generates buzz and a fear of missing out that becomes difficult for investors—particularly novice investors—to navigate.

This trend is exemplified in the recent rise of so-called “meme coins,” which colloquially refer to crypto-assets that refer to popular culture or internet memes. They are often created after a character, individual, animal, or some other representation intended to capture a following and interest.<sup>156</sup> There is no designed or obvious utility for these meme coins. The community and following that develops around a particular meme coin essentially imparts the value to the coin.<sup>157</sup>

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<sup>152</sup> See MAS, [Guidelines on Consumer Protection Measures by DPT Service Providers](#) (April 2, 2024).

<sup>153</sup> Javers, E., Tortorelli, P., and Zamost, S., [Some social media influencers are being paid thousands to endorse cryptocurrency projects](#), CNBC (August 11, 2022).

<sup>154</sup> See, See., Ramey, C., Fanelli, J., and Moise, I., [Celebrities Who Endorsed Crypto, NFTs Land in Legal Crosshairs After Investor Losses](#), The Wall Street Journal (January 30, 2023).

<sup>155</sup> See notes 37, 49-52, 163 and accompanying text. See also FINRA Foundation, [New Investors 2022: Entering the Market in Novel and Traditional Ways](#) at p. 3 (finding that social media was a more important source of information for new crypto-asset investors (cited by 25%) than investors that open a traditional investment account for the first time (cited by 12%) in 2022).

<sup>156</sup> See Rosenberg, E., [Meme Coin Explained](#), Investopedia (December 8, 2023).

<sup>157</sup> See Bylund, A., [What is a Meme Coin?](#), The Motley Fool (March 14, 2024).

For this reason, meme coins are highly speculative, are promoted through social media and, because of the wide reach of the internet and social media influencers with millions of followers, can garner interest from enough investors where, by one measure, the aggregate market value of meme coins is in the tens of billions.<sup>158</sup>

One of the more prominent meme coins is Dogecoin. It purportedly was created as a joke in 2013 but is now the highest valued meme coin.<sup>159</sup> Regular promotion of Dogecoin by a famous individual on social media that began in 2019 helped increase its awareness among investors and increased its trading price.<sup>160</sup> Because of the speculative nature, however, meme coins can be subject to pump-and-dump schemes driven by hype and interest generated on social media.

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<sup>158</sup> See CoinMarketCap, [Top Memes Tokens by Market Capitalization](#) (n.d.).

<sup>159</sup> See note 157.

<sup>160</sup> See Pok, C., [Elon Musk Breaks Silence On Dogecoin \(DOGE\): Is \\$1 Dogecoin Price Target Now Bearish?](#), yahoo!finance (March 14, 2024).

## 4. MESSAGING TO PROTECT RETAIL INVESTORS

As a preliminary matter, this section of the report is intended to complement, not repeat, the key educational guidance of the 2020 report, which we re-affirm (e.g., the need to develop relevant educational content; inform retail investors about unlicensed or fraudulent firms; innovate while using a variety of communication channels; and form partnerships). This section of the report intends to highlight how to reach investors interested in crypto-assets, the necessary target demographic for such messaging, and specific educational messaging.

### 4.1. Reaching Investors with Social Media

Many new investors in crypto-assets obtain their information principally from friends and family and social media (which also likely influences their friends and families).<sup>161</sup> A study from the United Kingdom<sup>162</sup> found:

“In addition to reliance on word-of-mouth recommendations, many digital asset holders interviewed also made strong use of social media and online forums for investment advice. Many interview participants mention that WhatsApp groups, often introduced through word-of-mouth, also function as platforms for knowledge sharing among friends while YouTube provides easily digestible information on the workings of digital assets.”<sup>163</sup>

The study found that it is particularly difficult for novice investors to navigate the persistent messaging across social media platforms by influencers and targeted advertising, which generates buzz and a fear of missing out.<sup>164</sup> The rise of meme coins is an example of how what is essentially a novelty product has been driven by social media to incredible market values.<sup>165</sup>

As many prospective crypto-asset investors are on social media, crypto-asset market participants use the reach of social media to find investors,<sup>166</sup> and fraudsters target unsuspecting victims on social media,<sup>167</sup> it is critical that IOSCO members also use social media to present and deliver their education resources regarding crypto-assets. Over the last decade, C8 members have become more

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<sup>161</sup> See notes 37, 49, 155 and accompanying text.

<sup>162</sup> See ICO and FCA, [Consumer attitudes on the risks and benefits of engaging with digital assets](#).

<sup>163</sup> *Ibid.* at p. 23.

<sup>164</sup> *Ibid.* at pp. 13-14.

<sup>165</sup> See notes 158-160 and accompanying text.

<sup>166</sup> See Section 3.2.5.

<sup>167</sup> See, e.g., Section 3.2.3 — Relationship Investment Scams. See also U.S. Federal Trade Commission, [Reports show scammers cashing in on crypto craze](#) (June 3, 2022) (“Reports point to social media and crypto as a combustible combination for fraud. Nearly half the people who reported losing crypto to a scam since 2021 said it started with an ad, post, or message on a social media platform.”); and Kaspersky, [Common cryptocurrency scams and how to avoid them](#) (n.d.) (“Crypto scammers often use social media to promote their fraudulent schemes.”).

proactive in delivering content online, such as creating dedicated websites for investors,<sup>168</sup> creating compelling online content,<sup>169</sup> and taking advantage of online advertising tools and strategies to reach investors.<sup>170</sup>

Despite being able to reach millions online, users of social media can find themselves fragmented and siloed by the specific implementation of preference algorithms in social media. Each user's "likes," or other actions, feed into a social media platform's algorithm to create content offering and groupings and feeds of persons with similar interests or perspectives.<sup>171</sup> This siloing may be used as an advantage by IOSCO members to specifically target and reach investors in the crypto-asset space. IOSCO members need to become adept at navigating social media to reach and engage users in these algorithm-created social media silos focused on crypto-assets.

## 4.2. Education Messages to Retail Investors Interested in Crypto-Assets

The years since the 2020 report have reinforced the notion that crypto-asset investing is risky and volatile for a variety of reasons, including broader economic circumstances and vulnerabilities in the technological infrastructure underpinning crypto-assets. The 2022 crypto winter occurred as the world grappled with high inflation after coming out of COVID restrictions. But the failure of TerraUSD/Luna that was followed by a string of high-profile failures resulted from fraudulent conduct. These failures resulted in many losses to investors in crypto-assets and led to a loss in confidence among investors in crypto-asset investments. This Report highlights that large-scale fraud remains pervasive in crypto-asset investing even when dealing with seemingly well-known crypto-asset participants, such as in the case of FTX.

In early 2024, crypto-assets experienced an upsurge from the declines of 2022. The price of bitcoin experienced highs at the beginning of 2024 that were last seen in 2021 immediately prior to the 2022 crypto winter. These new highs and the related news coverage will no doubt be enticing for investors interested in crypto-assets.<sup>172</sup>

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<sup>168</sup> See, e.g., US SEC Staff, [Investor.gov](https://www.investor.gov).

<sup>169</sup> See, e.g., US SEC Staff, [Howeytrade](https://www.howeytrade.com) campaign.

<sup>170</sup> See Section 4.2.1. — Quebec.

<sup>171</sup> See Cannon, J., [How marketers are adapting to reach siloed audiences in a fragmented social media landscape](#), Digiday (March 8, 2023). See also Kellogg Insight, [The Surprising Speed with Which We Become Polarized Online](#), Kellogg School of Management at Northwestern University (April 6, 2017).

<sup>172</sup> See note 76.



As new and younger investors seem more drawn into investing in crypto-assets than traditional investments and the recent crypto-asset upsurge will prove compelling to new investors, these investors need support from investor education initiatives. Messaging that may be familiar to more experienced investors will need to be tailored specifically to crypto-assets issues and targeted to new and younger investors. Educational messages for retail investors should include:

- ***Investments in crypto-assets can be exceptionally risky and these assets are often volatile.***
- ***Investors should be wary of investments promoted on social media and use skepticism when following “finfluencers.”***
- ***Crypto-asset investments might lack basic investor protections, as those offering crypto-asset investments or services may not be complying with applicable law, including registration and licensing requirements.***
- ***Investments offered in compliance with a jurisdiction’s regulatory framework confers investors with certain investor protections.***
- ***Fraudsters continue to exploit the rising popularity of crypto-assets to lure retail investors into scams, often leading to devastating losses.***
- ***Understanding the nature of investing generally, including having an investing plan, and understanding risk tolerance and time horizon, as well as understanding the nature of investing in crypto-assets, can be critical to overall and long-term investing success.***

#### **4.2.1. Risk and Volatility**

Investing in crypto-assets can entail significant risk. As highlighted in our 2020 report, there are several risks to consider with crypto-assets:<sup>173</sup>

- Market liquidity risk.
- Volatility risk.
- Counterparty risk.
- Risk of partial or total loss of the invested amount.
- Risk of insufficient information disclosure.
- Project risk.
- Technical and operational risks, including cybersecurity risks.
- Risk of fraud.
- Risk of lack of regulation or compliance with applicable regulation.

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<sup>173</sup> See IOSCO, [Report on Investor Education on Crypto-Assets](#), p. 11-12.

Several of these risks, such as market liquidity, volatility, fraud, and lack of regulation or compliance with applicable regulation, have materialized following the 2022 crypto winter. The fall in price of bitcoin and other crypto-assets from the all-time highs of November 2021 to the lows of November 2022 highlights the volatility that accompanies crypto-asset investing. The failures of certain participants underscored lack of compliance with applicable regulations, efforts to evade regulation and, in the case of the high-profile failure of FTX and TerraUSD/Luna, ultimately fraud risk.

Experienced investors may be aware of these risks as they are not exclusive to crypto-assets. Other investment products are also subject to one or more of these risks. However, new and younger investors may not be as aware. Instead, having an interest in crypto-assets, new and younger investors may be inundated with marketing, including with digital engagement practices,<sup>174</sup> from crypto-asset participants with messages such as “You don’t want to miss out.”

It becomes imperative to counterbalance such promotional messaging with educational content outlining the risks of crypto-asset investing and to specifically target new and younger investors.

### — US SEC

The US SEC’s Office of Investor Education and Advocacy (OIEA) regularly issues Investor Alerts and Bulletins relating to crypto-assets offered and sold as securities. In light of the volatility stemming from the 2022 crypto winter, OIEA issued an Investor Alert in March 2023 generally cautioning investors about crypto-assets offered and sold as securities.<sup>175</sup> The Alert reminded investors that:

“Investments in crypto asset securities can be exceptionally risky, and are often volatile. Over the last year, the crypto asset space has been exceptionally volatile – and a number of major platforms and crypto assets have become insolvent and/or lost value.”

Given the recent high-profile bankruptcies that accompanied the 2022 crypto winter, the Alert noted the potential of companies holding crypto-assets on behalf of investors to go bankrupt:

“Investors who deposit funds or crypto assets with a crypto asset securities entity might cease to have legal ownership of those assets and might not be able to get those assets back when they want to. Over the past year, a number of crypto asset entities have faced severe financial difficulties, sometimes resulting in suspending customers’ ability to withdraw their assets. Some crypto asset entities have entered bankruptcy proceedings, and it is unclear how much of their holdings (if any) customers might be able to recover. Investors need to be wary of claims that “you always retain ownership of your crypto assets” and “you can withdraw your assets whenever you like.”

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<sup>174</sup> See IOSCO, [Report on Retail Distribution and Digitalisation](#) (October 2022) and [Investor Behaviour and Investor Education in Times of Turmoil: Recommended Framework for Regulators based on Lessons Learned from the COVID-19 Pandemic](#) (November 2022). Digital engagement practices (DEPs) are tools that use data analytics, behavioral prompts, differential marketing, game-like features (commonly referred to as gamification), and/or other design elements or features to engage with retail investors on digital platforms and can materially affect investing outcomes for retail investors.

<sup>175</sup> US SEC Staff, [Exercise Caution with Crypto Asset Securities: Investor Alert](#) (March 23, 2023).

— CFTC

In 2022 and 2023, the CFTC undertook an initiative to help educate financial educators about crypto-assets and their risks. The CFTC developed three fliers<sup>176</sup> that educators could easily distribute to clients or learners. The CFTC then conducted targeted outreach to financial education practitioner organizations and associations, public librarians who host financial education programming, and military personal finance managers, who provide financial counseling and support to military servicemembers and their families. The effort launched during World Investor Week 2022, with a two-panel event that focused on risk education and continued through 2023 with presentations to both educators and retail investor groups.

The World Investor Week 2022 program, *Meeting the Demand for Understanding Risk and Financial Education*,<sup>177</sup> presented discussions that explored teaching risk to active, risk-seeking investors and the future of crypto-assets. In all, nearly 200 people from 20 countries participated in the event. The event also generated significant social media engagement, with another 660 people viewing an online recording of the event throughout the year. Overall, the CFTC conducted more than 20 hours of presentations that reached nearly 2,500 educators and members of the public.

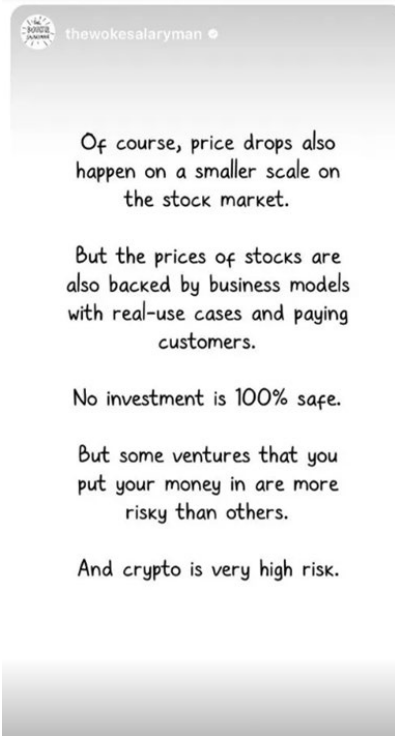
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<sup>176</sup> See CFTC, [14 Digital Asset Risks to Remember, Curious About Crypto? Watch Out for Red Flags](#) and CFTC, [10 Digital Asset Terms You Should Know](#).

<sup>177</sup> CFTC, [Meeting the Demand for Understanding Risk and Financial Education](#) (October 5, 2022).

— *Singapore*

Through Singapore’s national financial education program, MoneySense, MAS warned consumers that they “could lose everything [they] put into cryptocurrency” in a series of social media content produced in-house and by local content creators. The tone of the content was deliberately emotive or colloquial, rather than authoritative or directive, as market research on public education messaging on crypto-assets has shown that youth in Singapore would not respond well to being talked down to.



Sample [post](#) by financial content creator.



Sample MoneySense [post](#) warning that crypto-assets is unsuitable for retail investors.

— *Quebec*

Different strategies can be used to promote crypto-asset educational content to retail investors. In 2023, QAMF initiated a continuous and ongoing search engine marketing (SEM) campaign. SEM is a digital marketing strategy used to increase the visibility of a website in search engine results pages, such as the AdWords services by Google and Microsoft advertising for Bing. QAMF’s campaign has been successful in referencing its educational and fraud prevention content to Quebec’s retail investors seeking information on crypto-assets and transactional platforms online.

The idea of carrying out such a campaign was confirmed following the *Do you see the risk?* campaign on social media. Despite a creative approach with striking images of risky situations and adequate “drive to web” results, much remained to be done to increase the number of visitors to the educational content and especially to propel QAMF investor alerts.

A strategic committee with staff from investor education, communications, and enforcement departments succeeded in implementing an ongoing SEM strategy with the support of a well-established Canadian communications firm, known for have strong business relationships with both Google and Microsoft.<sup>178</sup>

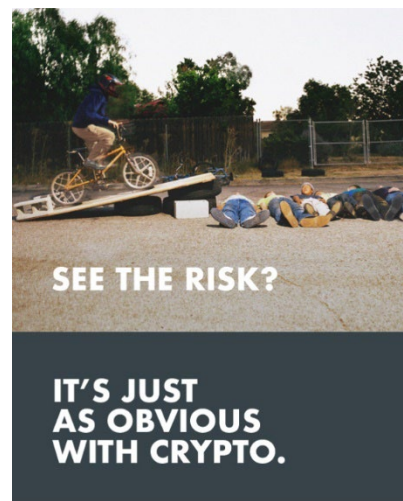
The ongoing French and English experiment carried out by QAMF is based on monthly planning for the promotion of keywords linked to current events in the field of crypto-assets, such as referring to specific investor alerts or adding keywords associated with a specific fraudulent platform. Managed by the communications firm, the SEM strategy focuses on two main groups and goals: (1) future crypto-asset buyers and having them develop a reflex to search for information on risks associated with crypto-assets; and (2) experienced crypto-asset buyers and having them adopt QAMF’s website as a reliable source of information to prevent fraud such as through investor alerts.

The strategy specifically avoids keywords linked to QAMF, such as the term “crypto-assets” (which is the formal regulatory language in Canada), and notifications on illegality. The expertise and role of the communications firm plays a key role when dealing with Google and Bing. For example, it eases actual commercial restriction associated with some specific words (e.g., it may be possible for Google and Bing to restrict the use of simple words like “crypto” or expressions like “crypto with stunning return guaranteed” for a SEM strategy). By managing a large volume of business with Google and Bing, a well-established communications firm can greatly help refine the strategy as truly desired.

QAMF observed positive results very quickly that exceeded QAMF’s expectations and results were still very satisfactory almost nine months following the launch. The communications firm submits quarterly reports to QAMF and QAMF can optimize and adjust the strategy in a matter of a few hours, for example, to aid investor alert dissemination efforts.

Referring only to first quarter 2024, QAMF invested a total of CA\$30,468. This investment generated 26,926 clicks for an average cost of CA\$1.13 per click. On average, those who saw an ad and interacted, spent an average length of 3:03 minutes and viewed 1.67 pages. For first quarter 2024, just over one person out of 10 who has been exposed to an ad interacted and clicked on the promoted link.

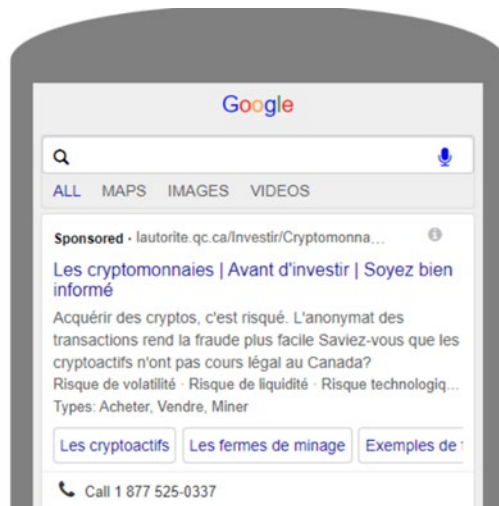
Overall, as it can be evaluated and customized on a regular basis, this campaign is considered effective and has been implemented for over a year past its initially planned duration. It contributes



<sup>178</sup> The SEM campaign is also based on one important observation taken from Cachecho, M., Noreau, P., and Cotnoir, P., [Research Report: New Applied Financial Literacy Index](#), Accès au Droit et à la Justice (November 22, 2022): being visible at the right moment, the right place, the closest from the action to invest.

to pushing investor alerts related to the crypto-asset space, to informing about crypto-assets trading platforms registered with QAMF, and to positioning QAMF as a neutral educational reference among a new cohort of retail investors.

One matter that QAMF has noticed in the campaign is that it is almost impossible to rank first (top of the page), considering the undoubtedly larger sums of money invested by certain well-known platforms.



Example of an ad with AdWords CRYPTO and CRYPTOCURRENCIES (French). “Buying crypto is risky. The anonymity of transactions makes fraud easier. (...).”

#### — France

Through different kinds of educational content, the AMF regularly warns retail investors about the risks of investing in crypto-assets. In addition to existing articles on the retail investors section of the AMF website, an article published in April 2024 describes the different risks of this investment, how to store crypto-assets, and the difference between private keys and public keys.<sup>179</sup>

In October 2022, a Facebook Live was organized in partnership with the Institut National de la Consommation (INC), an independent organization which provides expertise and information for consumers and consumer organizations, on crypto-assets with a focus on the risks for World Investor Week 2022. And in December 2023, ConsoMag, a regular television program of the INC that aims to enlighten consumers in their daily lives, broadcasted on French public television an episode to raise awareness on crypto-asset risks.<sup>180</sup>

<sup>179</sup> AMF, [Investir en crypto-actifs : les précautions pratiques](#) (April 15, 2024).

<sup>180</sup> AMF, [Que faut-il savoir avant d'investir en « crypto-monnaies » ?](#), YouTube (January 31, 2024).



#### 4.2.2. Exercise Caution on Social Media

As mentioned, the growth of crypto-assets also coincided with the growth of social media in the 2010s to now. The ability of influencers on social media to easily reach an audience of thousands to millions plays a role in promoting hype and interest in the next crypto-asset opportunity. New relationship investment schemes are easily perpetuated on social media. And typical securities fraud schemes, such as Ponzi and pump-and-dump schemes, can find a larger audience on social media more cheaply and easily than through more traditional avenues of connection.

##### — US SEC

In light of the role that social media plays in the promotion of crypto-assets, in 2017, OIEA issued a dedicated Investor Bulletin cautioning investors to be wary of celebrity endorsements.<sup>181</sup>

Also, in 2017, the US SEC's Division of Enforcement and Office of Compliance Inspections and Examinations (now the Division of Examinations) separately issued a statement urging caution regarding potentially unlawful celebrity-backed crypto-asset offerings.<sup>182</sup> More recently, coinciding with the enforcement action against Kim Kardashian, the US SEC's Chair, Gary Gensler, published a video warning investors not to make investment decisions based solely on the recommendations of a celebrity or influencer.<sup>183</sup>

As investors are increasingly relying on social media for information about investing, OIEA issued an Investor Alert encouraging investors to be skeptical and to never make investment decisions based solely on information from social media.<sup>184</sup> The Alert highlights the following scams conducted on social media to be aware of:

- **Impersonation schemes** in which fraudsters may impersonate legitimate brokers or investment advisers or other sources of market information on social media.

<sup>181</sup> See US SEC Staff, [Investor Alert: Celebrity Endorsements](#) (November 1, 2017).

<sup>182</sup> See US SEC Staff, [SEC Statement Urging Caution Around Celebrity Backed ICOs](#) (November 1, 2017).

<sup>183</sup> See US SEC Staff, [Use Caution with Celebrity Endorsements of Investment Products](#), YouTube (October 3, 2022).

<sup>184</sup> See US SEC Staff, [Social Media and Investment Fraud – Investor Alert](#) (August 9, 2022).

- ***Crypto investment scams*** in which fraudsters may exploit investors’ fear of missing out on crypto-asset investment opportunities to lure investors on social media.
- ***Relationship investment scams*** in which fraudsters through apps or websites take advantage of anonymity to mask their deceptive intentions to unsuspecting social media users seeking connection.
- ***Market manipulation schemes*** in which fraudsters spread rumors on social media to manipulate the price of securities.
- ***Community-based investment fraud*** in which fraudsters often use social media to exploit the trust and friendship that exist within social groups with common ties, including groups based on ethnicity, nationality, religion, sexual orientation, military service, and age.

— ***CFTC***

CFTC’s advisories and educational materials are informed by customer fraud complaints and social media observations, and contain information on how to avoid frauds that originate on social media. Since 2019, the CFTC has produced at least 18 advisories, articles, or presentations that fall into this category. Below are some recent highlights:

- “Exploring Effective Social Media Investment Scam Interventions,”<sup>185</sup> a virtual panel discussion and part of the CFTC’s recognition of World Investor Week 2023, covered the rapid growth of social media investment fraud, how platforms contribute to the scams’ effectiveness, and ways educators, regulators, and other stakeholders can develop interventions to combat social media frauds. Panelists included state and federal fraud enforcement experts, a researcher who focuses on social media disinformation interventions, and a psychologist who specializes in elder fraud.
- Throughout out much of 2024, the CFTC has warned customers about relationship investment scams,<sup>186</sup> so-called “money mule” frauds,<sup>187</sup> government imposter frauds,<sup>188</sup> and overhyped artificial intelligence trading bots,<sup>189</sup> which all originate largely on social media platforms.
- In April 2021, the CFTC published a customer advisory warning retail traders to avoid so-called meme trading as online bulletin boards and chat groups attempted to “squeeze” precious metals spot and futures prices.<sup>190</sup> This followed an event a year

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<sup>185</sup> See CFTC, [Exploring Effective Social Media Investment Scam Interventions](#), YouTube (October 30, 2023).

<sup>186</sup> See CFTC, [Customer Advisory: Six Warning Signs of Online Financial Romance Frauds](#) (n.d.).

<sup>187</sup> See CFTC, [Don’t Become an Unwitting Money Launderer](#) (n.d.).

<sup>188</sup> See CFTC, [Beware Imposters Posing as CFTC Officials](#) (n.d.).

<sup>189</sup> See CFTC, [Customer Advisory: AI Won’t Turn Trading Bots into Money Machines](#).

<sup>190</sup> See CFTC, [Customer Advisory: Understand Risks and Markets before Reacting to Internet Hype](#) (n.d.).



earlier when meme traders rushed into energy exchange traded products during a period of oversupply caused by the COVID-19 pandemic and resulted in oil futures prices briefly turning negative.<sup>191</sup>

### 4.2.3. Educating Investors on Applicable Regulatory Frameworks

As jurisdictions become more active in terms of regulating crypto-assets—whether by way of enforcing existing regulations or creating new crypto-asset-specific regulations—it has become even more important that investors are aware of the investor protections that are afforded by being subject to a regulatory framework, as well as the lack of such protections when investing in crypto-assets that are not in compliance, or outside, a regulatory framework.

#### — *Hong Kong, China*

Hong Kong’s IFEC started providing investor education on crypto-assets in September 2017 and has stepped up the education efforts since 2021 to help the public understand the risks associated with crypto-assets, reminding investors to conduct research to understand the products and assess the risks before investing in these assets.

With the launch of the new licensing regime for crypto-asset trading platforms in June 2023, both the IFEC and the SFC have been actively promoting the messages of using SFC-licensed trading platforms to protect investors’ interest as well as reminding the public the risks of trading via unlicensed platforms.

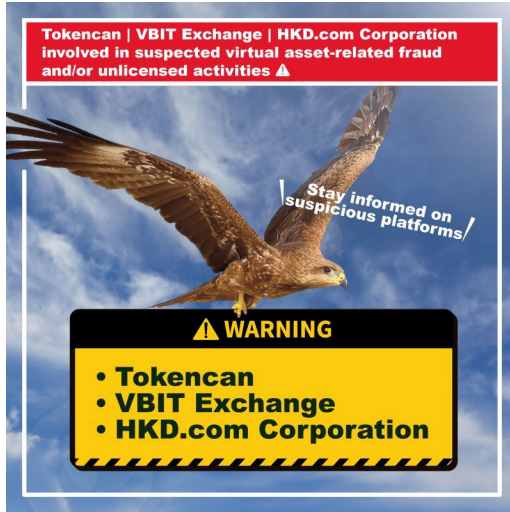
The SFC’s website provides a listing of the virtual asset trading platform operators formally licensed by the SFC.<sup>192</sup> In addition, the website provides easy access to a set of alert lists cautioning the public about suspicious crypto-asset trading platforms and suspicious investment products including digital-token-related products.<sup>193</sup> The SFC also issues periodic warnings via press releases and social media posts to raise public awareness.

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<sup>191</sup> See CFTC, [Customer Advisory: Learn About Risks Before Investing in Commodity ETPs or Funds](#) (n.d.).

<sup>192</sup> See SFC, [Lists of virtual asset trading platforms](#).

<sup>193</sup> See SFC, [Alert List](#).



To help retail investors understand the new regulatory regime, the IFEC used different channels, including blog articles, social media posts, online talks, videos, by-line articles and media interviews to discuss the key points of the new regulatory regime from an investor protection point of view and highlight the risks associated with trading via unlicensed platforms.

A series of Facebook talks were broadcasted between October 2022 to October 2023 to explain the key points of the new virtual asset trading platform licensing regime and to remind investors to check a platform's license before investing in crypto-assets. The SFC and IFEC each has its own publicity campaign on promoting investor education messages about different risks relating to crypto-assets via TV, radio, outdoor advertising, and online media.

### — *Malaysia*

Securities Commission Malaysia (SC Malaysia) requires the registration of crypto-asset exchanges, or "digital asset exchanges (DAX)."<sup>194</sup> In connection with a recent enforcement action in April 2023 relating to DAX registration,<sup>195</sup> SC Malaysia reminded investors about the importance of dealing with registered entities that are subject to regulatory requirements and oversight:

"Investors are strongly advised to invest and deal with [recognized market operators] that are registered with the SC. Registered RMOs have undergone strict regulatory scrutiny and are required to adhere to strict guidelines so that investors are protected under Malaysia's securities laws. Those who invest with unlicensed or unregistered entities or individuals are exposed to risks such as fraud and may not be protected under Malaysian securities laws."

In addition, SC Malaysia through its investor education initiative, InvestSmart, had a live session in which three registered DAXs explained to investors the investor protection benefits when

<sup>194</sup> See SC Malaysia, [Guidelines on Recognized Markets](#) (revised August 19, 2024).

<sup>195</sup> See SC Malaysia, [SC Takes Enforcement Action Against Huobi Global for Illegally Operating DAX in Malaysia](#) (May 22, 2023).

working with a crypto-asset exchange that's registered with SC Malaysia and the perils of dealing with an unregulated exchange.<sup>196</sup> Some considerations noted by the representatives from the registered DAXs include:

- Regulated exchanges must have a business continuity plan that addresses events posing significant risks of operational disruption, with consideration of investors' protection.
- Regulated exchanges must be locally incorporated in Malaysia and subject to the laws and enforcement of Malaysian authority.
- Regulated exchanges must ensure that investor's monies and digital assets are safeguarded, with a robust governance structure and approval process in place.

#### — *Thailand*

Digital asset business activities are directly regulated in Thailand.<sup>197</sup> In terms of educating investors about the protection afforded to them by Thai regulations, the Thai SEC provides information on:

- The scope of each licensed activity to clarify for investors which activities are regulated and which are not.
- Comparisons of the pros and cons of using licensed and unlicensed entities, along with recommendations for reliable sources of information to check for licensed entities (such as the SEC Check First website<sup>198</sup>).
- Urging financial event organizers to monitor and prevent unlicensed exhibitors from giving investment advice or soliciting visitors to invest in crypto-assets. Otherwise, they may be considered as accomplices to the illegitimate activities.<sup>199</sup>
- A warning statement that investors who invest with foreign or unlicensed operators, such as exchanges or brokers, will not be protected under Thai law.<sup>200</sup>
- The understanding that each digital asset exchange is required to have its own listing rules approved by the Thai SEC for scrutinizing the crypto-assets that can be traded on its exchange.

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<sup>196</sup> See SC Malaysia, [Why You Should Trade Digital Assets with Regulated Cryptocurrency Exchanges in Malaysia](#), YouTube (November 2, 2020).

<sup>197</sup> See Section 3.2.3 — Thailand.

<sup>198</sup> See Thai SEC, [SEC Check First](#).

<sup>199</sup> See Thai SEC, [SEC warns the public and investors to be cautious of unlicensed business operators](#); and Thai SEC, [SEC and ECD investigate public solicitation of unlicensed business operators](#).

<sup>200</sup> See Thai SEC, [SEC warns the private sector to beware of the activities that may be considered “unlicensed business undertakings”](#); and Thai SEC, [SEC warns the public and investors to be cautious with the services provided by unlicensed digital asset business operators](#).

Apart from educational programs, the Thai SEC also implemented the following affirmative investor protection measures:

- Compilation and assessment of investors' information for the purposes of (1) knowing the investor, (2) categorizing the type of investor, (3) assessing suitability for investing in crypto-assets, and (4) considering the ability of the investor to perform in respect of servicing agreement. Additionally, digital asset business operators servicing crypto-assets are required to service only the investors who pass a knowledge test or training course on crypto-assets. These tools are in place in order to ensure that investors have sufficient knowledge and experience prior to opening new crypto-asset trading accounts.
- Rules raising the standard of digital asset advertisement, which aim to enhance investor protection against inappropriate advertisements.

#### — *US SEC*

OIEA's recent Investor Alert<sup>201</sup> generally cautioning investors about crypto-assets offered and sold as securities highlights prominently the protections afforded to investors when investing with entities and securities that are registered with the US SEC, which include:

- Required disclosures of important information about the company, the offering, and the securities being offered.
- Broker-dealers that are subject to rules around custody of assets, fees, conflicts of interest, standards of conduct, minimal capital requirements, and recordkeeping and reporting requirements.
- Registered national securities exchanges subject to rules that protect against fraud, manipulation, front-running, wash sales, and other misconduct when intermediaries for those products do not comply with the federal securities laws that apply to registered exchanges.
- Guarantee of investment accounts up to a certain amount when investors hold registered securities with registered broker-dealers.

The Alert notes that investors in unregistered entities and unregistered offers and sales of crypto-assets that are offered and sold as securities will not be afforded these investor protections.

#### — *France*

Prior to the adoption of MiCA for EU member states,<sup>202</sup> French Law No. 2019-486 of May 22, 2019 (the "PACTE Law") introduced in France a bespoke regime for crypto-assets structured around two main axes: an optional visa regime for initial coin offerings and an optional license and compulsory registration regime for digital assets service providers (DASP). Following the

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<sup>201</sup> See note 175.

<sup>202</sup> See *supra* Section 3.2.4. — European Union.

enactment of the PACTE Law, AMF published on its website an article explaining the new status of crypto-asset services providers and how to choose a professional.<sup>203</sup> AMF plans to update when MiCA goes into effect. In addition to the two blacklists on the AMF website regarding derivatives on crypto-assets and miscellaneous assets including proposals with crypto-assets, DASPs that are not registered when required are also blacklisted.<sup>204</sup>

#### 4.2.4. Investments Offered in Compliance Better Protect Investors

As discussed<sup>205</sup> and highlighted in our 2020 report,<sup>206</sup> as well as in the updated survey,<sup>207</sup> a current risk of investing in crypto-assets is the lack of compliance by market participants with applicable regulation or, in some jurisdictions, a lack of applicable regulation. Some entities conducting crypto-asset-related activities have begun the process of obtaining the appropriate licensing and registration in certain jurisdictions. Investing in crypto-assets that are compliant with a jurisdiction's regulatory framework, such as by complying with licensing, registration and disclosure requirements, may help address this particular risk and investor concern. Investor education, however, should continue to inform investors about the risks to consider when investing in these crypto-assets.

#### — US SEC

Spot bitcoin and ether ETPs have registered offerings as investment products with the US SEC and are currently trading on national securities exchanges.<sup>208</sup> In light of the registration of these crypto-asset investment product offerings, OIEA issued an Investor Bulletin warning investors to “weigh carefully the potential risks and benefits if considering any investment product that provides exposure to the price of bitcoin or ether.”<sup>209</sup> The Bulletin informs investors to focus on their risk tolerance and to review the required disclosures made, particularly those regarding the material risks of investing in the product and/or offering.<sup>210</sup>

Further, OIEA highlighted the risk in the underlying market of crypto-assets notwithstanding the registration of the specific investment product. The Bulletin warns investors that “spot crypto-asset

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<sup>203</sup> AMF, [Investir en crypto-actifs : quel professionnel choisir ?](#) (April 15, 2024).

<sup>204</sup> AMF, [Cryptoassets: the Autorité des Marchés Financiers warns the public about the activities of several fraudulent market participants and publishes a new 'blacklist'](#) (June 5, 2024).

<sup>205</sup> See *supra* Section 4.2.3.

<sup>206</sup> See note 173 and accompanying text.

<sup>207</sup> See *supra* Figure 3 in Section 3.1.1 and accompanying text.

<sup>208</sup> See *supra* Section 3.2.4 — United States – Spot Bitcoin and Ether ETPs.

<sup>209</sup> US SEC Staff, [Exchange-Traded Products \(ETPs\) Providing Exposure to Bitcoin and Ether – Investor Bulletin](#) (September 9, 2024). See also US SEC Staff, [Funds Trading in Bitcoin Futures – Investor Bulletin](#) (June 10, 2021) (an investor bulletin alerting investors to investment funds offering exposure to the bitcoin futures market).

<sup>210</sup> *Ibid.*

trading platforms are not registered with the [US SEC], may be acting without compliance with existing regulatory requirements, and may lack the oversight of other intermediaries that are registered.”<sup>211</sup> This may result in an enhanced potential for fraud and manipulation in the underlying market for bitcoin and ether.<sup>212</sup>

Lastly, the Bulletin highlights risks specific to the investment products themselves, such as that the price of the ETP may deviate from the underlying bitcoin or ether and the impact of sponsor fees on the investment.<sup>213</sup>

#### 4.2.5. Education on the Continuing Prevalence of Fraud

Given the widespread lack of compliance in the crypto-asset space, fraudulent activity continues to be prevalent, and investors remain at significant risk of loss. From large-scale frauds seen in cases like FTX and Celsius,<sup>214</sup> the growth of relationship investment frauds, and the continued prevalence of traditional fraudulent schemes such as Ponzi schemes, exit scams, pump-and-dumps, and market manipulation, the crypto-asset space is rife with fraudulent activity. Investors, including those new to investing, may not be as aware about how to avoid or look out for fraud when investing in this space. Being aware and cautious about the continuing prevalence of fraud remains an important message that regulators need to regularly communicate to and reinforce with investors.

##### — Hong Kong, China

Anti-financial-scam education has been one of the key focuses of investor education at the SFC and IFEC. In light of the rising occurrence of crypto-asset scams, the SFC and IFEC launched a variety of initiatives to alert the public to guard against financial scams including those related to crypto-assets.



<sup>211</sup> *Ibid.*

<sup>212</sup> *Ibid.*

<sup>213</sup> *Ibid.*

<sup>214</sup> See notes 95 and 96.

To caution the public against common tactics used in investment scams, the SFC launched advertising campaigns on multiple platforms spanning from TV, radio, outdoor, and online.

In addition, the SFC worked with the Hong Kong Police Force’s Anti-Deception Coordination Centre as well as local anti-scam groups and participated at community events to share tips with the public on how to avoid falling victim to financial scams.

Apart from web content and social media posts, IFEC spokespersons have conducted media interviews to discuss anti-financial-scam education messages.

In February 2024, the IFEC launched a series of animated videos covering an overview of online investing, awareness of investment scam tactics and reminder on using licensed trading platforms for investment activities. In addition, it broadcast a Facebook talk to raise awareness of common crypto-asset-related scam tactics and discussed the proper ways to trade these assets featuring spokespersons from SFC and academics.

### — *Thailand*

Examples of fraud education provided by Thai SEC include:

- Patterns of crypto-asset investment scams and warnings through interviews with experts, such as police and digital asset experts, in the ‘Crypto101’ series (broadcast via Facebook Live).
- Fraud and scam patterns, including Ponzi schemes, clone phishing, romance scams, flash loan attacks, rug pulls, and cryptojacking, in the infographic series ‘CryptoWords’ and in Facebook page “start-to-invest.”
- Fake web pages designed to mimic token offerings and educate users on common red flags found in such pages.<sup>215</sup>
- A comic that illustrates fraud cases alongside basic crypto-asset knowledge.<sup>216</sup>
- Tips and warnings on red flags and “SEC Check First” tool for checking the licensed/unlicensed status of entities, and an investor alert for the general public, enabling them to recognize and protect themselves from crypto-asset frauds and scams.<sup>217</sup>
- The “Anti-scam Tactics” project that comprises (1) a microsite featuring a scam quiz that enables users to self-test their vulnerability to five different types of scammers (including crypto-asset scammers) along with prevention tips as well as media such as

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<sup>215</sup> See Thai SEC, [ZyboCoin](#).

<sup>216</sup> See Thai SEC, [Get to Know Digital Assets](#) (n.d.).

<sup>217</sup> See note 198 and accompanying text.

testimonials from frauds' victims, podcasts, articles, infographics, and short comics,<sup>218</sup> and (2) a comic book on scam prevention to further raise the public's awareness.<sup>219</sup>

### — *Malaysia*

Examples of investor education initiatives carried out by SC Malaysia include:

- Panel discussion and talks on crypto-assets during flagship events (broadcasted via Facebook and YouTube) and webinars.
- Development of videos about investing with crypto-assets in collaboration with influencers, comedians, and industry players to amplify reach.
- Social media postings about basic crypto-asset knowledge, trends of scams involving crypto-assets, and patterns of scams (e.g., romance and job scams involving crypto-assets) and a reminder to only trade through authorized operators.
- Inclusion of investor education messages in media releases issued by the SC Malaysia relating to unregistered digital asset exchanges (DAXs) and fraudulent crypto-asset schemes, serving as a warning to fraudsters/unlicensed operators and a reminder to retail investors.

### — *CFTC*

CFTC's Office of Customer Education and Outreach regularly issues investor alerts and bulletins relating to crypto-asset commodities. In light of the increase in crypto-related frauds, in April 2024, the CFTC launched a new fraud center webpage that focused on two types of predominant crypto-asset frauds: romance frauds and crypto-asset frauds.<sup>220</sup> Additionally, in 2022 and 2024 the CFTC issued advisories warning about the increase in relationship investment scams, a fraud the operators pejoratively refer to as "pig butchering."<sup>221</sup>

In 2022, the Office of Customer Education and Outreach organized "Dating or Defrauding," a month-long online awareness effort centered around the Valentine's Day holiday. The multi-

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<sup>218</sup> See Thai SEC, [Scan the Scam Quiz](#).

<sup>219</sup> See Thai SEC, [Scan the Scam Comic](#) (n.d.).

<sup>220</sup> See CFTC, [Learn and Protect](#).

<sup>221</sup> See CFTC, [Romance Frauds](#).



agency campaign<sup>222</sup> focused on romance or friendship confidence frauds and provided a steady stream of anti-fraud social-media messaging, as well as a landing page of government resources.<sup>223</sup>

In all, the effort achieved a total reach of more than 205,000 views, impressions, and engagements from social media, email marketing, and other bilingual campaign platforms. The “Dating or Defrauding?” landing page attracted approximately 2,300 pageviews over the course of the campaign. Likewise, traffic to CFTC.gov’s Learn and Protect webpage<sup>224</sup> experienced more than 29,000 pageviews during the month of February, a 33% year-over-year increase.

Traffic to CFTC.gov was further aided by an 86.6% increase in social media referral traffic. Overall, social media posts by the participating agencies achieved more than 106,000 impressions and 2,525 engagements, including comments, likes, shares, and retweets. The campaign also reached approximately 71,000 people through two USAGov email deliveries, which generated more than 1,300 clicks to campaign materials and resources.

Approximately 30 news outlets and websites ran stories about the campaign and the issue of romance frauds using social media, dating apps, and crypto-assets to steal from victims.

Similar efforts were repeated in 2023 and 2024 using CFTC social media channels. In 2024, the *Dating and Defrauding* campaign ran for three weeks on Facebook, X, and LinkedIn and yielded nearly 19,300 impressions and 600 social media engagements.

Other crypto-asset fraud materials produced include:

- Customer Advisory: Six Warning Signs of Online Financial Romance Frauds.<sup>225</sup>
- Customer Advisory: Beware Offers to Receive and Forward Money.<sup>226</sup>
- Customer Advisory: Avoid Forex, Precious Metals, and Digital Asset Romance Scams.<sup>227</sup>

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<sup>222</sup> Participating in the “Dating or Defrauding?” social media messaging campaign were the CFTC, U.S. Consumer Financial Protection Bureau (CFPB), U.S. Federal Deposit Insurance Corp. (FDIC), The U.S. Treasury Financial Crimes Enforcement Network (FinCEN), U.S. Federal Trade Commission (FTC), U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI), and U.S. Postal Inspection Service. The effort was further supported by the U.S. General Services Administration’s USAGov, U.S. Federal Bureau of Investigation (FBI), and the U.S. Department of Defense Office of Financial Readiness (FINRED).

<sup>223</sup> See USAGov, [Dating or Defrauding? Protect Yourself Against Romance Scams With Help From the Government](#).

<sup>224</sup> See CFTC, [Learn and Protect](#).

<sup>225</sup> See CFTC, [Customer Advisory: Six Warning Signs of Online Financial Romance Frauds](#) (n.d.).

<sup>226</sup> See CFTC, [Customer Advisory: Beware Offers to Receive and Forward Money](#) (n.d.).

<sup>227</sup> See CFTC, [Customer Advisory: Avoid Forex, Precious Metals, and Digital Asset Romance Scams](#) (n.d.).

- 10 Signs of a Scam Crypto or Forex Trading Website.<sup>228</sup>

— *US SEC*

In May 2024, OIEA issued an investor bulletin specifically focused on fraud in the crypto-asset space.<sup>229</sup> The bulletin highlights five methods that fraudsters use to ensnare investors:

- Fraudsters connect with you on social media platforms or through a supposedly accidental text message, and then gain your trust.
- Fraudsters exploit the hype around emerging technologies such as artificial intelligence.
- Fraudsters impersonate or exploit trusted sources.
- Fraudsters may pump up the price of a crypto-asset and then sell at your expense.
- Fraudsters demand additional costs that they falsely claim will allow you to withdraw from your account, or to recover losses.

In September 2024, OIEA issued an investor bulletin specifically focused on relationship investment scams which have often involved crypto-assets.<sup>230</sup> The bulletin alerts investors that:

- Fraudsters will slowly build trust on social media platforms or through text messages.
- Once fraudsters gain trust, they steer targets to legitimate looking (but fake) investment advisers, websites or apps and convince targets to “invest” their money sometimes in crypto-assets.
- Don’t gain a false sense of comfort by being able to make early withdrawals or seeing “profits” in your account.
- Beware of fake testimonials.
- Consider reporting, deleting, and blocking unsolicited messages from senders you don’t know.

— *Italy*

“Il momento è cri(p)tico” is an educational initiative by Consob, designed to raise awareness about crypto-assets and online scams. The Italian title, “Il momento è cri(p)tico,” cleverly plays on the words “critico,” meaning critical, and “criptico,” meaning obscure or cryptic. This wordplay reflects the dual focus of the initiative on both the critical nature of financial education and the obscure, often confusing world of crypto-assets.

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<sup>228</sup> See CFTC, [10 Signs of a Scam Crypto or Forex Trading Website](#) (n.d.).

<sup>229</sup> See US SEC Staff, [5 Ways Fraudsters May Lure Victims Into Scams Involving Crypto Asset Securities – Investor Alert](#) (May 29, 2024).

<sup>230</sup> See US SEC Staff, [Relationship Investment Scams – Investor Alert](#) (September 10, 2024).

This program was part of the IOSCO World Investor Week 2023 and of the Italian Financial Education Month 2023 and involves a conference-show format. The event combines a theatrical performance with expert discussions to make the learning experience engaging and informative.

The theatrical piece, performed by two professional actors, provides a humorous perspective on financial history, from Aztec cacao trading to the collapse of Lehman Brothers and crypto-asset transactions. Alongside the performance, Consob offers insights into crypto-assets and the dangers of online fraud.

The most informative part, edited by Consob, intends to offer some basic information (tokens, crypto-assets, stablecoins, DLT, etc.) and explain some concepts on which critical reflection is appropriate (the functions of currency and cryptocurrency).

Consob then explores the factors that can drive the dissemination of crypto-assets (both on the demand and supply side) and review the main risks associated with crypto-assets already highlighted by the three ESAs (EBA, EIOPA, and ESMA) Communications<sup>231</sup>: from volatility to operational risks to the risk of operating through platforms that are not regularly authorized or of running into a real scam. The Consob edutainment format closes with a short list of things to remember and key messages.



*The flyer of the initiative on October 31, 2023.*

The first event took place on October 31, 2023, at the University of Roma Tre, and was specifically targeted at university students. The initiative aims to blend entertainment with education (edutainment) to help young audiences better understand complex financial topics.

### — France

Given the prevalence of fraud and scams, including in the crypto-asset space, the AMF conducted a major campaign on social media (e.g., Google AdWords, YouTube, Facebook, Instagram, and TikTok) at the end of 2021 with new testimonies of victims and warning about influencers' activities on social media. The campaign generated more than 4.5 million impressions (all channels included). A second wave of the campaign was launched in mid-2022 and generated 3 million impressions (all channels included).

The campaign on influencers was composed of four different cases and the case focused on crypto-assets was the following:

<sup>231</sup> European Supervisory Authorities, [EU financial regulators warn consumers on the risks of crypto-assets](#) (2022).



The testimony on crypto-assets involved a relationship investment scam experienced by Erwan:<sup>232</sup>

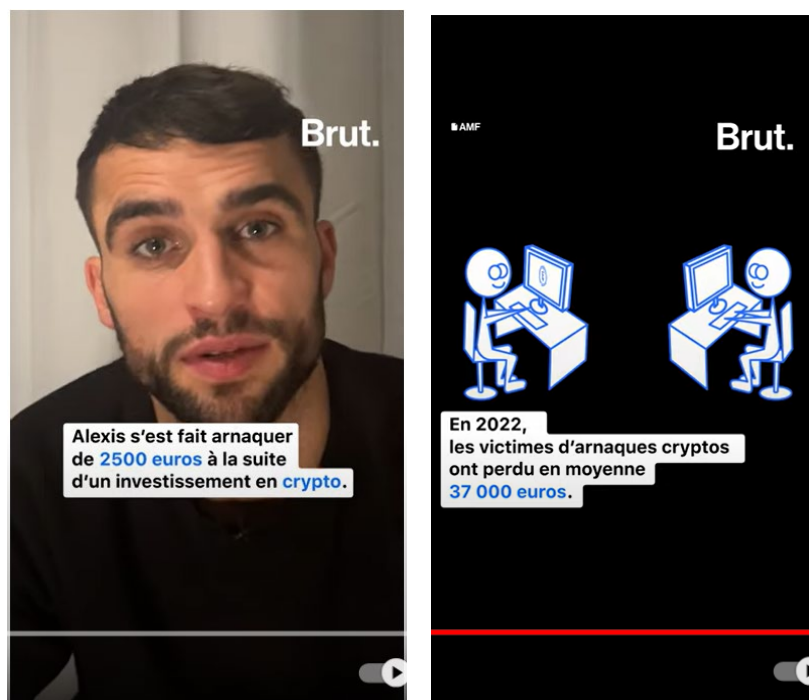


Arnaques aux placements dans les cryptos, le témoignage d'Erwan | #ArnaquesParlonsEn

To address a younger audience, the AMF partnered with the French media company Brut to produce and broadcast a video on crypto-asset scams with the testimony of a victim and advice from AMF on TikTok, Instagram, and Snapchat at the end of 2022. The video generated 6.9 million impressions and 2.5 million views (all channels included).<sup>233</sup>

<sup>232</sup> AMF, [Arnaques aux placements dans les cryptos, le témoignage d'Erwan](#), YouTube (December 13, 2021).

<sup>233</sup> AMF, [Il s'est fait arnaquer à la suite d'un investissement en crypto - BRUT x AMF](#), YouTube (October 12, 2023).



#### 4.2.6. Having a Long-Term Investing Plan

Despite the risks, volatility, and other concerns, investors are investing in crypto-assets. More specifically, young and novice investors seem particularly drawn to crypto-assets. For investors investing in crypto-assets, it is important that regulators consider continued and enhanced investor education materials and programs that provide information and educational content to these investors about how to consider crypto-asset investments in the larger framework of general investing.

##### — Thailand

Thai SEC provides its “SEC Crypto Academy,”<sup>234</sup> an e-learning platform on crypto-asset knowledge for the interested public, under the slogan “Gain Insight, Reduce Risks, Enjoy Learning,” as a fundamental knowledge source for new investors to learn and prepare themselves for investing in crypto-assets. The Academy comprises 27 videos that together make just over a six-hour course. It covers the following content:

- Introduction for Beginners: Introducing fundamental knowledge and fostering a correct understanding of the overall digital asset world.
- Digital Assets Fundamentals: Laying down the foundational backgrounds and critical mechanisms of blockchain technology.

<sup>234</sup> See Thai SEC, [SEC Crypto Academy](#).

- The Past, the Present, and the Future of Digital Assets: Recounting major timelines in the past, pivotal moments in the digital asset world, digital tokens, NFTs, Metaverse, and perspectives on future digital asset markets.
- Investment Mindset and Strategies: Developing a positive mindset and attitudes towards digital asset investment to reduce risks, as well as introducing the use of basic tools for technical analysis.

Upon completing all courses, learners receive a letter of completion and have the option to take a test to assess their readiness level for entering the world of digital asset investment. The website has garnered more than 350,000 page views and issued over 2,000 completion certificates.

In addition, Thai SEC provides a “Crypto101” video series that spans three seasons and consists of 49 episodes broadcasted via Facebook Live from April 2021 to December 2022. This series has garnered more than 1.3 million reaches and 28,000 engagements. Season 1 covers basic knowledge of crypto-assets and sound investment practices, including topics such as crypto-assets, blockchain, digital tokens, exchanges, and trading. Seasons 2 and 3 delve into deeper knowledge and current issues, including DeFi, CeFi, GameFi, digital art versus NFTs, Web 3.0, wallets, fundamental and technical analysis with crypto-assets, crypto-asset scams, crypto-asset funds, and regulation. The speakers featured in the series are crypto-asset experts, business operators, regulators, police, and influencers.

#### — *US SEC*

A key consideration mentioned in the OIEA’s Investor Alert about crypto-assets offered and sold as securities is having an investing plan and understanding an investor’s risk tolerance and time horizon.<sup>235</sup> Key considerations mentioned include:

- Creating and following an investment plan, and not letting short-term emotions disrupt long-term investment objectives.<sup>236</sup>
- Paying off credit cards or other high interest debt first.<sup>237</sup>
- Considering the importance of asset allocation and diversification.<sup>238</sup>
- Understanding risk.<sup>239</sup>

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<sup>235</sup> See note 175.

<sup>236</sup> See US SEC Staff, [Investor Alert: Thinking About Investing in the Latest Hot Stock? Understand the Significant Risks of Short-Term Trading Based on Social Media](#) (January 29, 2021).

<sup>237</sup> See US SEC Staff, [Investor.gov – Pay Off Credit Cards or Other High Interest Debt](#).

<sup>238</sup> See US SEC Staff, [Investor.gov – Asset Allocation](#).

<sup>239</sup> See US SEC Staff, [Investor.gov – Assessing Your Risk Tolerance](#).

OIEA's investor-focused website, [Investor.gov](https://www.investor.gov),<sup>240</sup> includes a webpage dedicated to crypto-assets,<sup>241</sup> which highlights additional resources to learn more about these investment products, including OIEA's relevant Investor Bulletins. On this page, OIEA has educational content regarding investment products registered with the US SEC that provide investors with exposure to crypto-assets. In addition to the recent approval for listing and trading of spot bitcoin and spot ether ETPs by the US SEC,<sup>242</sup> funds that hold bitcoin futures or ether futures also have shares trading on U.S. national securities exchanges.<sup>243</sup>

The Investor Bulletin about funds that hold bitcoin futures reinforces the need for investors to consider their risk tolerance, the disclosure of the fund's risks, potential loss of investment and possible difference in investment outcome where a rise in the current price of bitcoin may not be directly correlated with the value of the fund because of the fund's holdings of bitcoin futures rather than bitcoin itself.<sup>244</sup>

Lastly, because investments in crypto-assets as well as more traditional investment products are now predominantly made online, it is important to remind investors to prioritize protecting online investment accounts from digital fraud and hacking. OIEA issued an Investor Bulletin listing practical steps to take to safeguard an investor's online investment accounts.<sup>245</sup>

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<sup>240</sup> See US SEC Staff, [Investor.gov](https://www.investor.gov).

<sup>241</sup> See US SEC Staff, [Investor.gov – Crypto Assets](https://www.investor.gov/cryptocurrency).

<sup>242</sup> See *supra* Section 3.2.4. — United States – Spot Bitcoin and Ether ETPs and Section 4.2.4. — US SEC.

<sup>243</sup> See US SEC Staff, [Funds Trading in Bitcoin Futures -- Investor Bulletin](https://www.investor.gov/etp/bitcoin-futures).

<sup>244</sup> See note 243.

<sup>245</sup> See US SEC Staff, [Updated Investor Bulletin: Protecting Your Online Investment Accounts from Fraud](https://www.investor.gov/etp/protecting-online-investment-accounts) (July 1, 2021).

## 5. CONCLUSION

Over the last four years, numerous surveys, studies, and reports have found increasing interest by investors, particularly new investors, in crypto-assets. Many investors noted FOMO as a reason to invest in crypto-assets and often appear to get their information about crypto-assets from friends, family, and social media. It can be easily assumed that investors' friends and families also are influenced to a certain extent by social media. Persistent messaging about crypto-assets across social media platforms by influencers and targeted advertising, as well as general news, generates buzz and a fear of missing out that becomes difficult for investors to ignore and navigate.

From increased enforcement to new regulations, many jurisdictions have become more active in the last four years over crypto-assets. Some entities conducting crypto-asset-related activities have begun the process of obtaining the appropriate licensing and registration in certain jurisdictions. This provides an avenue for investors to invest in crypto-assets that are subject to regulatory investor protections. Most crypto-assets, however, can be characterized as being outside of regulatory compliance or a regulatory framework. IOSCO's efforts to deliver a coordinated global regulatory response to investor protection and market integrity risks continue, with the implementation of the CDA and DeFi Recommendations underway.<sup>246</sup> Encouraging their implementation will be crucial to support consistency across IOSCO member jurisdictions and prevent regulatory arbitrage.

Further, crypto-assets remain highly volatile as evidenced by the 2022 crypto winter to the current 2024 volatility. Given (1) this volatility, (2) the speculative nature of many crypto-assets, (3) the continued and growing interest in crypto-assets, particularly from new investors, and (4) the continued persistent messaging across various media, from "influencers" on social media to targeted advertising to general news, about crypto-assets, IOSCO members would well support their constituents with investor education initiatives tailored specifically to crypto-asset issues and targeted to new and younger investors. This Report has highlighted specific messaging in Section 4.2 worthwhile for IOSCO members to consider along with examples of such messaging from contributing C8 members that hopefully prove useful in developing investor education initiatives.

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<sup>246</sup> See Section 3.2.4 — IOSCO.