



UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of the Director
Bureau of Consumer Protection

Financial Literacy and Education Commission Public Meeting Cryptocurrency Fraud and the Evolving Risks to Crypto Consumers

*Remarks of Samuel Levine
Director, Bureau of Consumer Protection, Federal Trade Commission*

March 8, 2022

Good afternoon, and thank you for welcoming the FTC to participate in this important discussion. I'm pleased to be speaking here on my own behalf, but I am not speaking on behalf of the Commission or any Commissioner.

As a number of our speakers have pointed out, cryptocurrencies and related products have exploded in popularity, especially among the young. Cryptocurrency is being touted as a critical financial innovation that promises to facilitate fast and easy payments, democratize finance, and expand access to the financial system for lower income consumers.

While it's important we recognize and harness the potential benefits of cryptocurrency and its underlying technology, we should be wary of some of these claims. The last time an "innovative" financial product exploded in popularity was two decades ago, when subprime mortgages were touted as a tech-driven financial vehicle that would empower working class and middle class families to realize the American dream. Of course, that experiment ended in catastrophe for millions of American families.

As regulators confront this latest financial innovation, there are serious red flags that should concern us all. For example, the the number of cryptocurrency scams reported to the FTC has skyrocketed in recent years. Since January 2021, more than 46,000 consumers have reported losing over \$1 billion dollars to fraud involving cryptocurrencies..¹ In fact, at the end of 2021,

¹ <https://www.ftc.gov/news-events/news/press-releases/2022/06/new-analysis-finds-consumers-reported-losing-more-1-billion-cryptocurrency-scams-2021>; <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/06/reports-show-scammers-cashing-crypto-craze>.

we saw for the first time that more people reported fraud losses using cryptocurrency than any other method of payment.²

The FTC is using all of our tools to protect American consumers from fraud involving cryptocurrency: consumer education, law enforcement, rulemaking, and penalty offense notices.

As part of our consumer education efforts, we are reaching out to communities across the country to help people understand how cryptocurrency works, and to sound the alarm about crypto-related fraud. The FTC's Division of Consumer and Business Education has published various blogs about cryptocurrency investment scams, and these blogs are delivered to more than 357,000 subscribers, including local media. In addition, we've developed [ftc.gov/cryptocurrency](https://www.ftc.gov/cryptocurrency), a consumer page available in English and Spanish that gives people a basic understanding of cryptocurrency and tells them what to know about these scams and where to report.

We are also not hesitating to take crypto scammers to court. The FTC brought its first case against crypto-related fraud as far back as 2014, and more recently we took action against Bitcoin Funding Team, which baited consumers with promises of crypto riches.³ In fact, the operation was a typical chain referral scheme – an old-time scam wrapped in the guise of financial innovation.

Finally, we are taking steps to deter crypto-fraud market-wide, and to protect consumers across the economy. Over the last few months, we've launched an earnings claim rulemaking that would allow us to seek steep penalties against investment related fraud, and an impersonator rulemaking to target bad actors who claim affiliation with the government or businesses.⁴ We've also sent Notices of Penalty Offenses to 1,100 businesses – including crypto industry firms as well as coaching firms that purportedly teach their clients how to earn money trading and

² <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/06/reports-show-scammers-cashing-crypto-craze>.

³ <https://www.ftc.gov/news-events/news/press-releases/2014/09/ftcs-request-court-halts-bogus-bitcoin-mining-operation>; <https://www.ftc.gov/news-events/news/press-releases/2020/11/ftc-sends-refunds-victims-deceptive-money-making-schemes-involving-cryptocurrencies>.

⁴ <https://www.ftc.gov/news-events/news/press-releases/2022/02/ftc-takes-action-combat-bogus-money-making-claims-used-lure-people-dead-end-debt-traps>; <https://www.ftc.gov/news-events/news/press-releases/2021/12/ftc-launches-rulemaking-combat-sharp-spike-impersonation-fraud>.

investing in crypto currency.⁵ These firms are now on notice that the FTC can seek more than \$45,000 per violation if they mislead consumers.

I am proud of our efforts to date, but it's critical we remain vigilant.

First, as the Vice Chair noted, we cannot assume that consumers alone can protect themselves from sophisticated fraud. Social media in particular has become a powerful tool for scammers to target consumers with precision. In fact, from 2017 to 2021, we saw an astounding 18 fold increase in money lost to fraud occurring on social media.⁶ And last year, 40% of reported losses to social media fraud were paid to scammers via cryptocurrency, far more than any other method of payment.⁷ If we are going to get ahead of this problem, it is critical that social media platforms, who profit from this predation, step up to the plate and put a stop to these abuses.

Second, given the scale of this problem, it is critical that we continue to work closely together with our state and federal partners. Forums like this are a critical way to ensure that our federal efforts are coordinated, and that we're doing everything we can to protect consumers. I would also urge us to continue working closely with state regulators, who time and again are on the front lines of battling the latest consumer abuses.

Confronting the scourge of crypto-related fraud truly requires an all-hands-on-deck effort, and I look forward to working with partners here and across the country to ensure that consumers are protected, bad actors are held to account, and true innovation can flourish. Thank you.

⁵ <https://www.ftc.gov/enforcement/penalty-offenses>.

⁶ <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/01/social-media-gold-mine-scammers-2021>.

⁷ <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/06/reports-show-scammers-cashing-crypto-craze>.