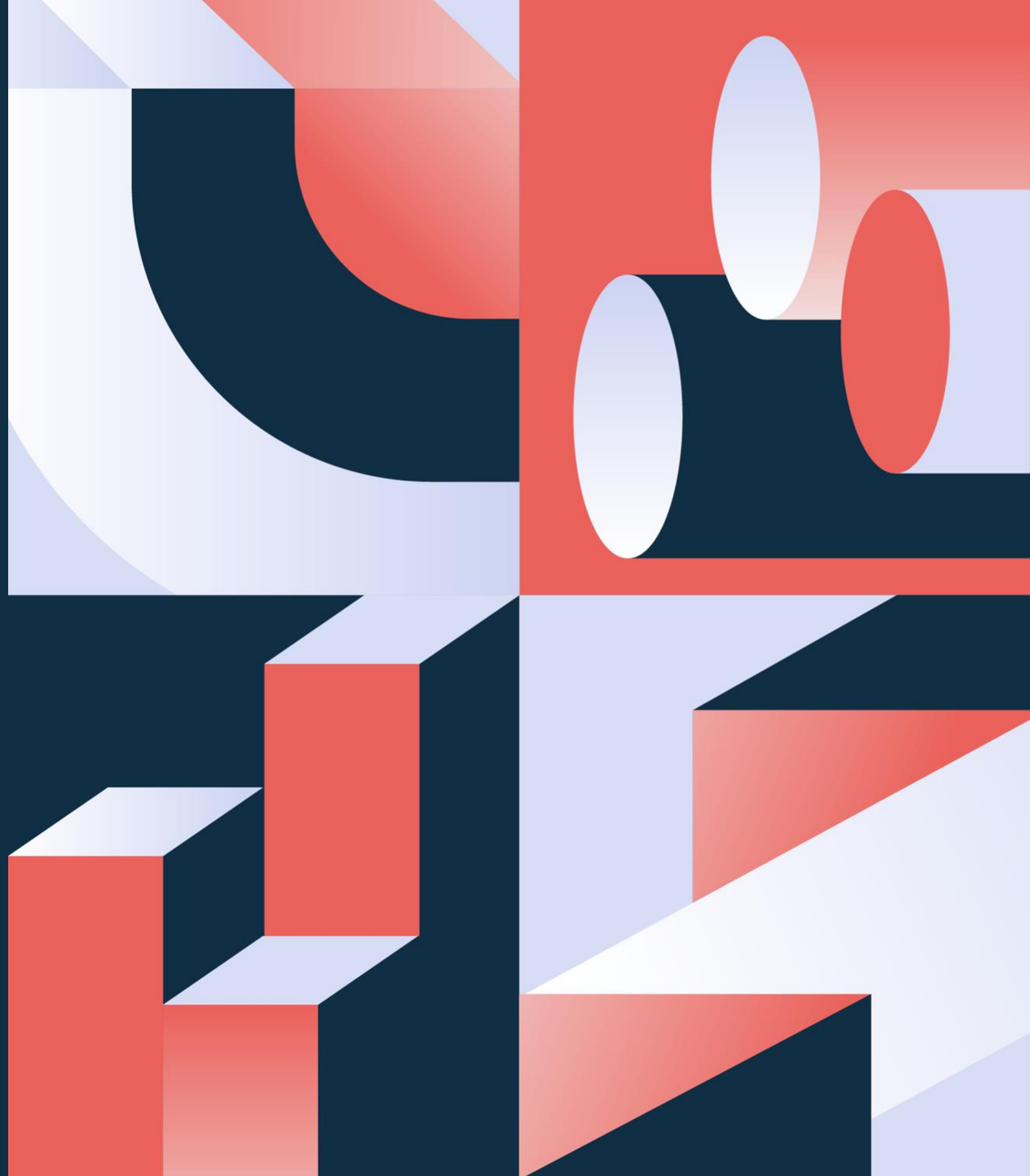


Trends in Cryptocurrency Scams and Red Flags



Today's Panelists



Jeremie Beaudry
Strategic Account Executive



Ben Hutten
Partner



Agenda

01

Introduction: How BSA Rules Apply to Crypto

02

Types of Cryptocurrency Scams

03

Red Flags

04

Prevention and Protection Strategies

05

Conclusion and Q&A



Introduction: How BSA Rules Apply to Crypto

Intro: What is crypto?

Traditional banking (Central authority)

A trusted third-party validates the transaction, and keeps record of the transactions in a centralized repository.

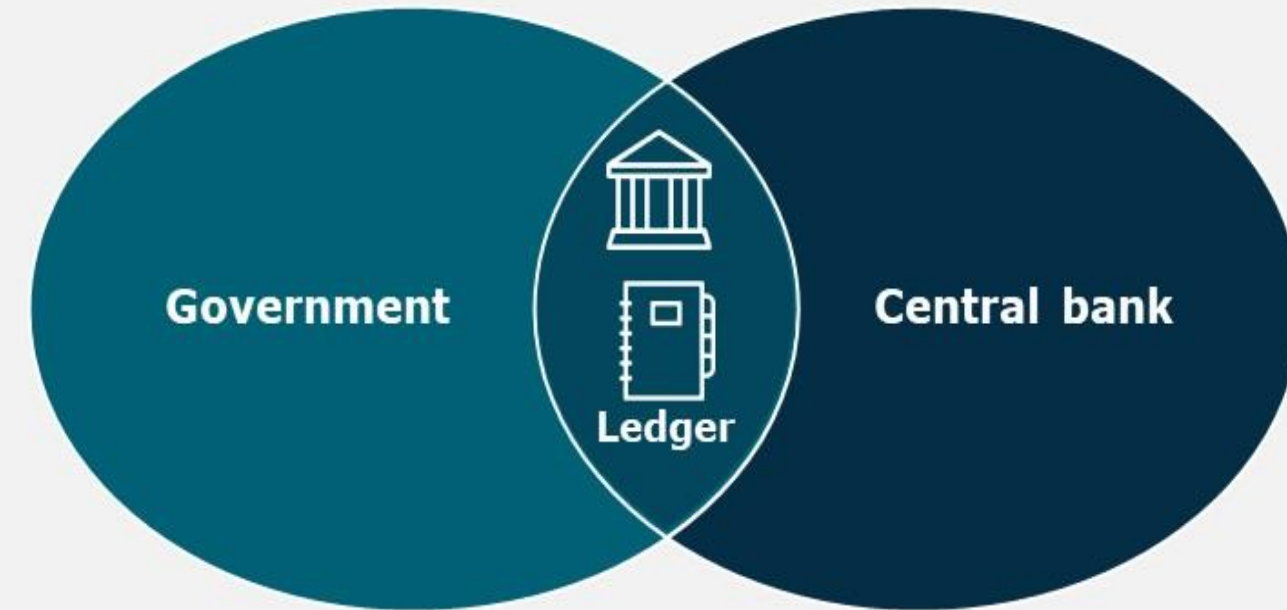


Alice



Bob

Alice tells bank to credit Bob's account \$100



Blockchain (Distributed ledger)

In a distributed ledger model, everyone participating in the network validates a transaction, and keeps their own record of every interaction.

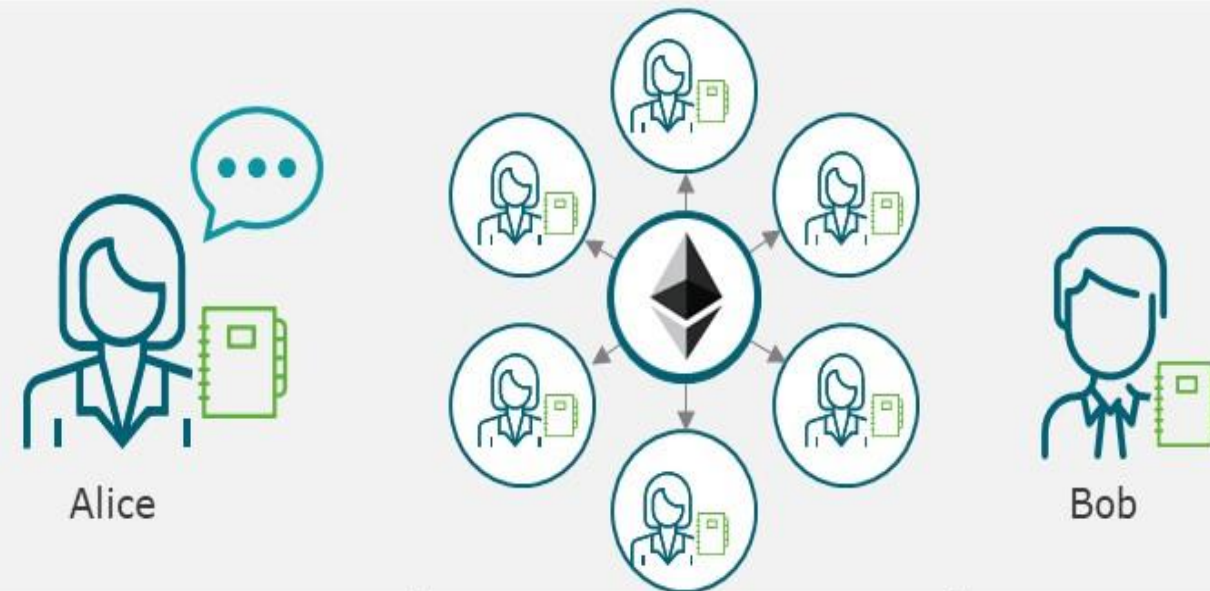


Alice



Bob

Alice tells the entire network to credit Bob \$100



Code

Computers

Math

Intro: Crypto Regulation and the BSA



Regulated as money transmission



Convertible virtual currency (or CVC) treated like fiat

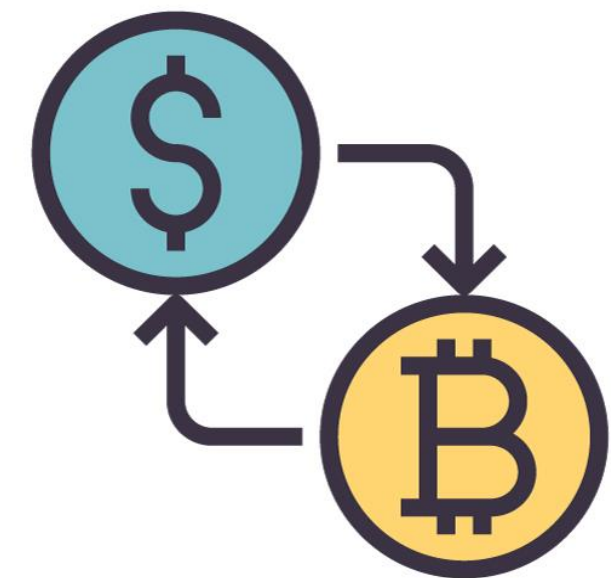


Persons accepting and transmitting CVC in substantial part in the United States are money transmitters

- Users
- Administrators
- Exchangers

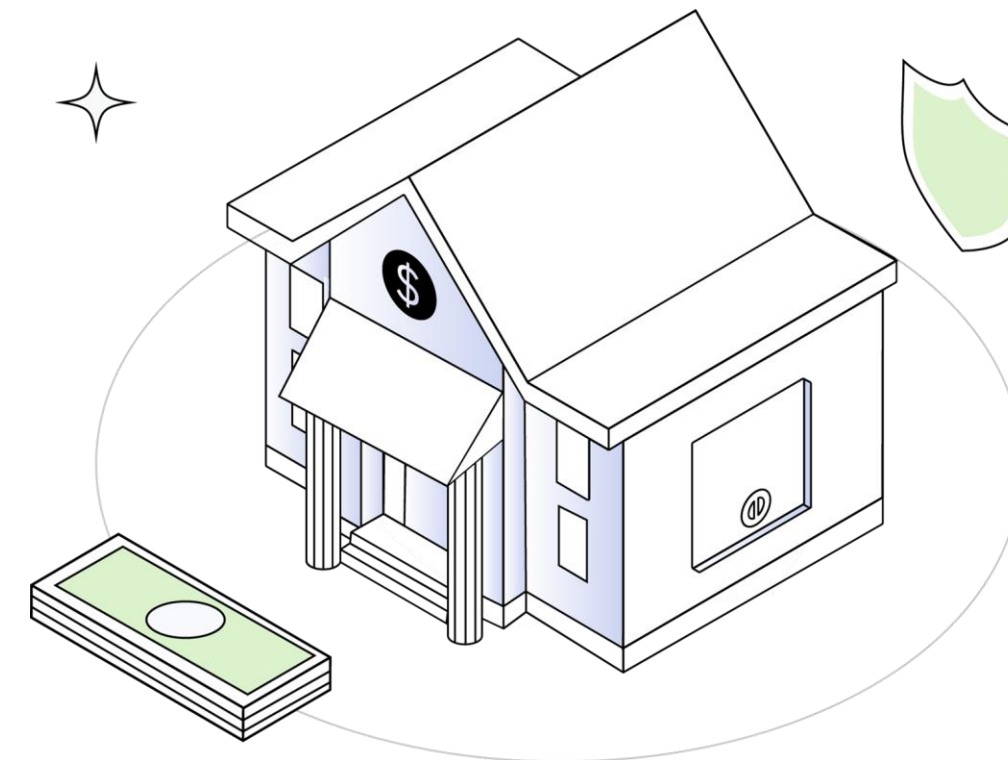
Banks and Crypto: How do they mix?

- Customer sends or receives fiat to an exchange or third party to settle fiat leg of crypto transaction
 - Fiat "gateways"
 - Merchant processors and digital crypto purchases
- Fiat account services to crypto companies
 - Operating and proprietary accounts
 - Hold fiat balances of crypto firm's customers
 - Baas/fintech and crypto
 - Issuing bank for crypto-branded cards (i.e., crypto.com visa)
- Some bank-like entities custody crypto (i.e., state-chartered trust companies)



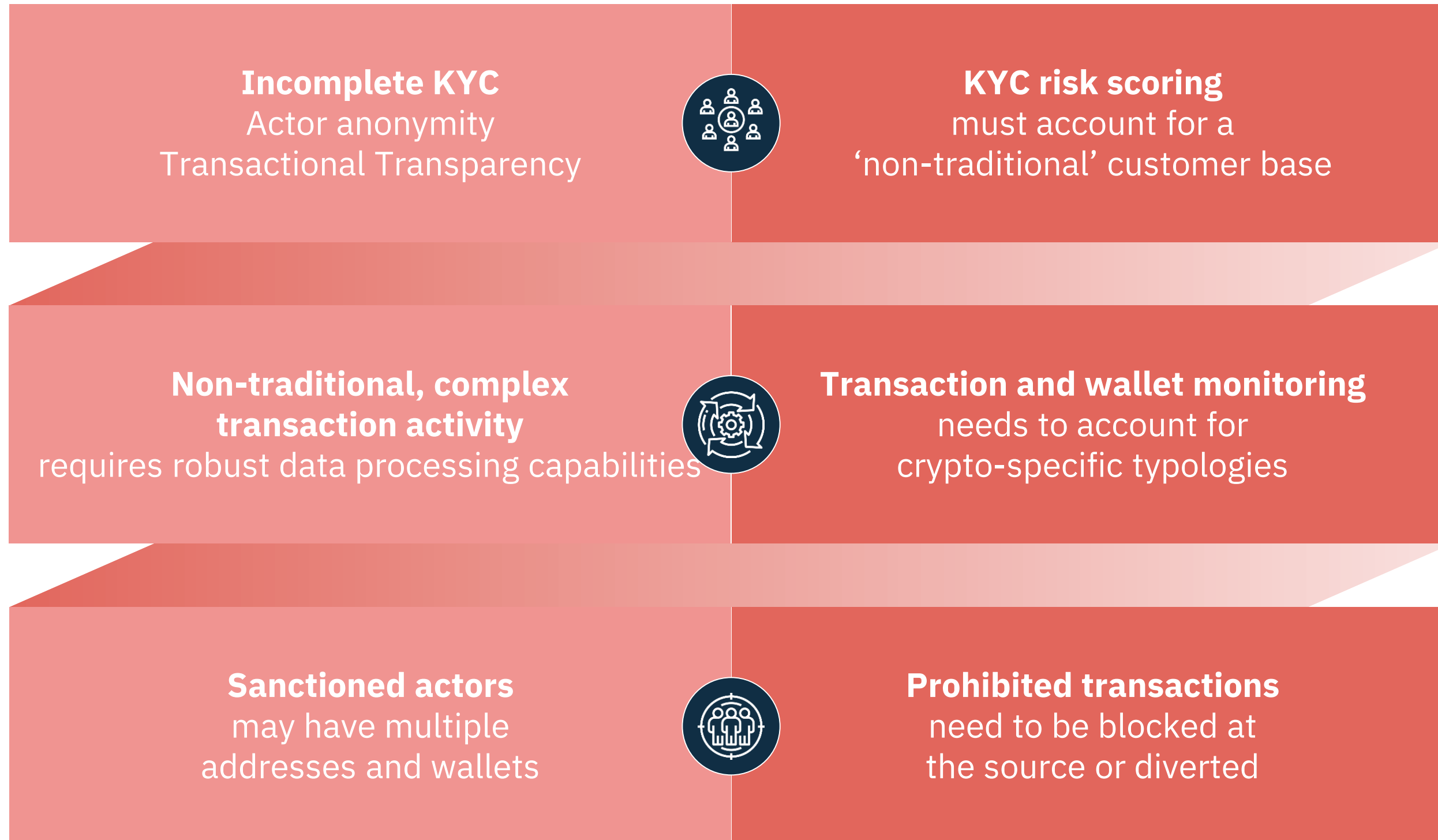
How do Fiat Institutions View Crypto?

- How many institutions here bank crypto firms?
- How many institutions have crypto outside of their risk tolerance?
- How many institutions have utilized blockchain analytics (Chainalysis, Elliptic, etc.)?
- High Risk?
- Low Risk?
- Case by case?



Crypto and AML Compliance

Adapting traditional financial services controls requires a nuanced understanding of the digital asset ecosystem





Types of Cryptocurrency Scams

Cryptocurrency Scams



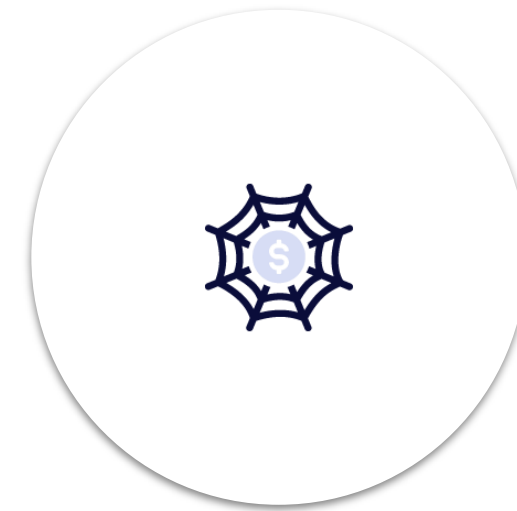
PHISHING



PUMP AND DUMP



RUG PULLS



PIG BUTCHERING



SOCIAL MEDIA



Red Flags

Red Flags



Unrealistic Promises

Monitoring Customer Behavior

Pressure Tactics

Unregulated Platforms

Sanctions and Export Controls

Fiat to Crypto Scams



Prevention and Protection Strategies

Prevention and Protection



Security Best Practices



Customer Awareness



Name Screening



Conclusion and Q&A



Thank you

Visit unit21.ai or orrick.com to learn more