

EMERGING SCAM:

Elaborate Cryptocurrency Scams Involving Self-Proclaimed “Investment Education Foundations” and “Proprietary” AI Bots

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North American Securities Administrators Association (NASAA) members are receiving numerous reports of a new scam involving “Investment Education Foundations.” Scammers are attempting to lure investors into the scam by offering education on stocks and cryptocurrency, “risk-free” trials, and loans. These scammers are using real government filings to build up their credibility.



How the Scheme Works:

The Introduction

The investor clicks on an Investment Education Foundation’s (the Foundation) social media advertisement and is added to a WhatsApp group.

- » The group contains a founder (sometimes referred to as a dean or professor), an assistant, and what appears

to be dozens of other investors (but are likely Artificial Intelligence (AI) bots).

Over time, the self-proclaimed founder of the Foundation provides the investor with lessons on the stock market, general investing, and/or cryptocurrency.

The Pitch

The Foundation introduces the investor to a cryptocurrency exchange (“the Exchange”). It is controlled by the Foundation but operates under a

different name.

The Foundation provides the investor with a link to download the Exchange platform app and/or a link to the platform’s website so that the investor can learn about cryptocurrency trading and test The Foundation’s proprietary AI bot.

Once the investor creates an account with the Exchange, the Foundation provide the investor with “free” tokens to test the AI bot risk-free. The investor is also provided with daily trade signals from the self-proclaimed founder

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Washington Department of Financial Institutions
Web: www.dfi.wa.gov
Phone: 1-877-746-4334



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of the Foundation via WhatsApp.

- » The investor always earns a purported profit from these free tokens.

After the successful risk-free AI bot test, the Foundation directs the investor to invest their personal funds into the platform.

The investor may also be asked to sign a contract or partnership agreement that “guarantees” them a specified return in exchange for paying a percentage of these guaranteed returns in commission.

The Loan and Advanced Fee Scams

If the investor informs the Foundation that they do not have enough funds to meet the capital requirements of the investment, the Foundation will direct them to a purported “P2P” or “C2C” merchant/loan provider on Telegram.

- » These loan providers are part of the scam and do not issue any money directly to the investor. Rather, the purported loans are deposited directly onto

the Exchange.

After the Exchange shows that the investor has made exorbitant returns, the investor will not be able to withdraw any purported profits until they pay back the fake loan or commissions with outside funds.

- » The funds the investor must use to pay back the loan/commission cannot be from the purported profits shown on the platform but must come from the investor directly.

The Exchange may also freeze the investors account for a “regulatory” purpose relating to a fictitious investigation being conducted by an agency like the SEC, FinCEN, state or provincial

**INVESTORS ARE URGED
TO EXERCISE CAUTION
BEFORE RESPONDING TO
UNSOLICITED INVESTMENT
OFFERS, ESPECIALLY
THOSE RECEIVED THROUGH
SOCIAL MEDIA, EMAILS,
OR PHONE CALLS.**

securities regulators, or the FBI.

- » The Foundation will tell the investor that they need to pay more money to the platform to unfreeze their purported profits.

The End and New Beginning

When investors are unable to pay, the Foundation or fake loan company will threaten them with legal action.

- » Some investors have reported that they received collection letters in the mail from individuals impersonating real collection companies.

Others have received threats that “local gangs” will come to their home to collect the funds.

The Foundation and Exchange are eventually shut down, and the scheme is replicated using new names and entities.

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How the Scammers Attempt to “Legitimize” and Fool Investors

In an effort to gain credibility in the mind of the investor, the Exchange website and app will contain various government and professional documents. These documents actually exist and are searchable on various government websites. These documents include:

- » MSB Registration
- » Incorporation paperwork
- » An IRS EIN letter
- » Securities filings like a Form ADV or Form D

Scammers also legitimize their operations by:

- » Obtaining active Exempt Reporting Adviser status with the SEC so they become a searchable entity on FINRA's BrokerCheck.
- » Registering as a Money Services Business with FinCEN and presenting it to investors as a “financial license.”
- » Posting articles about the



Foundation and its Exchange on several different websites so that when investors perform an Internet search, it will yield positive results that lends legitimacy to the scheme.

- » Purchasing old domains to make it seem like their website has existed for a long period of time.

Red Flags

- » Advertisements posted on social media by investment education foundations” offering free training, AI bots, and investment advice.

- » WhatsApp groups that offer investment advice from individuals you’ve never met in person.
- » Guaranteed returns on investments.
- » Offer of “free” tokens to get your investment started before you have to deposit any of your own funds.
- » Loan offers to fund your initial investments that are lent directly to your exchange account.