

Fraud Stamp

A Wise Investor Is A Well Informed Investor

Fraud Stamp - Monthly Digest - November 2020

Rule №1: Never lose money.
Rule №2: Never forget Rule №1.
Warren Buffett

Welcome to our first Fraud Stamp Monthly Digest. Every month we will discuss the topics that pose the greatest risk to all of us. Here at Fraud Stamp we are building a community so we rely on you to tell us what your major concerns are or threats so we can ensure we are all forewarned and forearmed. We are also pleased to announce the launch of our new website www.fraudstamp.com. We are excited to be able to continue to build our community so that others can benefit from our tireless work.

Yieldstreet Investigated by the FBI and SEC



YIELDSTREET

Yieldstreet describes itself as building innovative wealth creation products by providing access to investments previously only available to the top 1%. Their investments according to them, offer low correlation to the stock market providing investors with unique investment opportunities. We didn't write this, they did. And of course if you hear words such as 'unique opportunity', 'alternative investments' and 'low correlation to the stock market' that should always send alarm bells ringing with a guy standing on a box screaming scam! The FBI and SEC are investigating their practices which should lead all investors to seek a quick exit from their investments

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whilst they still can. Despite what the company says, when such things happen it is the start of the end. Yieldstreet has raised over \$1bn from investors, invested into an assortment of non mainstream investments such as 'shipbreakers' and low grade residential developments. The loans usually play second fiddle to the developers and of course there are limited disclosures of the deals Yieldstreet's principals have arranged with the owners/developers. Despite what the company says their investments are high risk at best. Investors should never invest their pensions into such products.

DeFi and Unaudited Protocols

Unless your head has been buried under a stone for the last few months we are sure you have heard about the boom (and recent bust — with the market falling 40% from its peak over a few weeks, but we think this is only temporary) in the DeFi market. But just in case you had heard about it but didn't really know what it was all about, here is a very quick overview. DeFi stands for decentralized finance. DeFi is the boom area of the cryptocurrency market right now. The platforms that are exploding are the ones that offer investors a 'token' in return for the user utilizing its platform (i.e. either lending or borrowing). These platforms are called lending protocols. The big ones are Uniswap, Aave, Compound, yearn.finance and Maker. But there are a few more popping up with strange food related names such as Yam or SushiSwap.

These platforms have made it attractive for investors to lend their cryptocurrency in exchange for tokens in the protocol which they can then sell for a big profit — or so the pitch goes. The problem is many of these new protocols are unaudited. That means no one independent has checked to see if the code works properly (not all audited protocols are safe from bugs however!) and of course some of these tech wizards have simply copied and pasted the code from other more established protocols (technically known as a fork, but more commonly known as plagiarism). The lesson here is do not invest in unaudited protocols as these are likely to be get-rich-quick schemes designed to get the opportunist coder rich rather than you. If you want to find out more about DeFi read our article [here](#).

The Big Crypto News

 Bitmex, the Seychelles based crypto derivatives trading platform, has been issued with both criminal and civil proceedings by the US authorities. The fact the platform targeted US investors and carried out limited KYC checks was the biggest problem. The founder is facing many years in prison as he hides out in Singapore. Bitmex isn't the only company that targeted US investors without proper ID checks. The question is who will be next? As an investor you should only be trading with firms regulated in your own jurisdiction. This cleaning up of the crypto community is a good thing long term, but this is only the beginning...

Aave receives UK FCA approval

Aave is one of the largest projects in the DeFi space. The biggest uncertainty overhanging this growth market is how the regulators will treat it. The SEC is looking at it closely and acknowledges that '...it's going to challenge the way we regulate.' The good news is that Aave received regulation to operate in the UK from the UK regulator. That demonstrates two things; one that Aave is a professional outfit that passed due diligence and two, although there is uncertainty hanging over this sector, following the top projects is the safest bet.



Trading on Robinhood

We have a bug bear about displaying adequate risk warnings so that investors know what they are getting involved in and how much they should invest. We are particularly aggrieved by the risk warnings displayed by Robinhood on their website. They read as follow:

'All investments involve risks, including the possible loss of capital.'

They go on to say, elsewhere on their website, that we should be investing our pensions in the stock market through a brokerage account. That clearly isn't good advice. Trading in stocks as opposed to investing for the long term is speculation and you should ensure that you use a separate pool of money to undertake this — a figure of 5% of your portfolio is sensible after removing your place of residence. Never invest your pension or borrow against your house. Be disciplined.

ETC 51% Attacks Brushed under the Carpet

It is one of the biggest vulnerabilities facing Bitcoin and other cryptocurrencies — the 51% attack. Basically what that means is if you manage to corral 51% of the computing power you are able to double spend thus playing havoc with the blockchain. But it is usually brushed over as an unrealistic risk as it is considered near impossible to control 51% of the computing power of a blockchain, especially in the case of Bitcoin where there are a large number of nodes spread far and wide. How about some of the smaller cryptocurrencies then? Ethereum Classic or ETC a spin off from the original Ethereum or ETH has had three 51% attacks now in a space of a month, the last one involved a double spend of \$5.6m. The project team have been reluctant to admit the attacks. The price is at \$4.99 (as at Sept 26 2020) still way up from its low of \$3.30. With a market cap of \$631m ETC is a significant player ranked 31. It is one to take off the shopping list, if it was ever on it.

Millions being Lost to Pension Fraud

According to the [BBC](#) men aged in their 50s are most likely victims of fraudsters who target people's long-term pension savings. The scam starts with an unsolicited call, text, social media approach or email offering a free pension review, or a way of making an attractive return on your pension. The money is either being stolen or transferred into a high risk product where the product owner takes most of the money for himself. Be on your guard as soon as you receive a request to provide a free pension review. Also remember that you should never invest your defined benefits pensions — these are sacrosanct!

OneCoin

Probably the biggest cryptocurrency scam to date making off with up to \$15bn in investors money. OneCoin is the subject of a BBC documentary podcast. It is a fascinating story. If you have followed this podcast before you will be pleased to know there has been another episode added recently. The founder of OneCoin is still on the run...



Nikola — A Shorter's Dream

Check out the shorter's [report](#) that started all this.

Nikola was, up until the publication of this report a few weeks ago, a \$30bn public company (they are now hovering around \$7bn as at 26 Sept but still way overpriced) with zero sales but with 'proprietary battery technology' which they say will revolutionize the truck market. Many think this is all an elaborate hoax, along the lines of Theranos. All we know here is where there is smoke there is fire and stocks such as these should be left to the brave.



Our New Website — Building a Community

We launched our new website this month. Take a look at www.fraudstamp.com. Join our community and sign up for our free reports and future Monthly Digests. If you have any ideas for new reports or points of discussion please contact us. To warn others of potential scams, frauds or threats please let our community know by posting onto our bulletin board.

Launch of our First Online Course

Fraud Stamp is always looking at ways to educate investors. Cryptocurrency is one such area we have identified where new entrants to this market face a number of unique challenges, from lack of regulation, to pump and dump schemes and complex instruments. On top of these issues there are the many scams and poorly thought out projects which litter the crypto landscape. The cryptocurrency market is not called the wild west for nothing. That is why we have launched our first online course to help educate investors in the cryptocurrency market whilst focusing on the risks and opportunities. Sure there are other online crypto courses but many of these are either too simplistic or offer no credible way to counter the unique risks facing investors in this market. Click on the link below to review further information on this course.

Serious Cryptocurrency - From Beginner to Pro

A complete beginners guide to all things crypto, how to find the winners, the hot areas right now, trading strategies, the risks and much much more...

Financial Advice

This article does not constitute financial advice in any way. This article should be treated as supplementary information to add to your existing knowledge base.

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