

Question:

Senator MARIELLE SMITH: ... I know that you release information on investment scams, and I think your last figures showed about \$10 billion worth of investment scams in my state of South Australia. Could you break down those figures in terms of industry and products? Have you've got anything you could shed light on in terms of this space and your work there? ...

Mr Bezzi: Thanks for the question. We very much welcome digital currencies as a disruptor within the market and recognise that there are significant advantages, from a competition point of view, in various types of business models that they will enhance, enable and promote. They'll circumvent gatekeepers. They'll introduce efficiencies into the market in a number of ways which are quite exciting. But you're absolutely right: in a largely unregulated environment, there has been a very disturbing growth in the standards that are reported to our Scamwatch website. We collect scam figures. We don't think that they are by any means a complete picture of what is going on. But the really disturbing figure we've got is that, in just the first six months of this year, \$38.3 million worth of scams have been reported to us that relate to cryptocurrencies, and that is the highest proportion of types of scams within the investment scam category. The largest category within investment scams is cryptocurrency scams, and, within cryptocurrency scams, \$25.7 million is represented by Bitcoin scams. So it's a very, very significant problem. ...

Senator MARIELLE SMITH: Would you be able to provide those figures you mentioned to the committee? The figures you have mentioned, in terms of the total proportion of these scams, are particularly alarming to me. Would you be able to break that down state by state? Is that possible?

...

Senator MARIELLE SMITH: ... If you are able to provide some statistical insights with reference to the Bitcoin-specific scams, that would be really useful for our work.

Answer:

Investment scams (all)

For the period 1 January – 31 August 2021, there have been 6320 reports of investment scams made to the ACCC via the Scamwatch reporting form, or through the ACCC hotline, with losses of \$96.3 million. Investment scams account for 50% of all losses reported to the ACCC for scams between 1 Jan – 31 Aug, and just 3.3% of all scam reports.

Table 1: Types of investment scams

| Investment scam type | Reports | Losses | % of all losses |
|---|----------------|----------------------------|------------------------|
| Traditional scams (pre-IPOs, shares, Forex trading, etc) | 411 | \$20.9 million | 21.7% |
| Romance baiting | 84 | \$1.7 million ¹ | 1.8% |
| Cryptocurrency investment scams | 3007 | \$53.2 million | 55.2% |
| Ponzi schemes | 110 | \$239,005 ² | 0.2% |

| | | | |
|--------------------------------|------|----------------|-------|
| Imposter bond scams | 116 | \$8.5 million | 8.8% |
| Other investment scams* | 2592 | \$11.7 million | 12.2% |
| Total investment scams | 6320 | \$96,586,739 | 100% |

* Other investment scams include reports about loan scams, in-person scams where a person known to the reporter offered to invest money with high returns and other investment scams not included in the above categories.

¹Note: Most scams pertaining to romance baiting are categorised as 'dating and romance scams' however some reporters continue to categorise as 'investment scams'. The majority of these scams involve the scammer luring the victim into investing in a cryptocurrency investment scam.

²: Additional Ponzi scheme reports are categorised as 'Pyramid scams' and have separate category to 'investment scams'.

All investment scams:

Table 2: Investment scams by state/territory, number of reports and losses

| State/territory | Reports | Losses |
|---------------------|---------|----------------|
| NSW | 1864 | \$33.1 million |
| VIC | 1316 | \$22.9 million |
| QLD | 1059 | \$20.3 million |
| WA | 580 | \$7.7 million |
| SA | 341 | \$4.4 million |
| ACT | 206 | \$2.1 million |
| TAS | 71 | \$907,229 |
| NT | 58 | \$475,913 |
| Not provided | 33 | \$202,167 |
| Overseas | 792 | \$4.3 million |
| Total | 6320 | \$96.6 million |

Cryptocurrency investment scams:

Between 1 Jan – 31 Aug 2021, the ACCC has received 3007 reports of scams involving cryptocurrency investment scams with losses of \$53.2 million.

- Reporters from New South Wales have made the most reports about cryptocurrency investment scams and reported the highest losses, \$20.6 million.
- Cryptocurrency investment scams represent 55% of all investment scam losses and 48% of all investment scam reports.
- Of all scam losses reported to the ACCC between 1 Jan – 31 Aug, 27.6% represent the losses attributed to cryptocurrency investment scams.

Table 3: Cryptocurrency investment scams by state/territory, number of reports and losses

| State/territory | Reports | Losses |
|-----------------|---------|----------------|
| NSW | 860 | \$20.6 million |
| VIC | 543 | \$12.6 million |

| | | |
|---------------------------|------|----------------|
| QLD | 485 | \$8.2 million |
| WA | 268 | \$3.8 million |
| SA | 148 | \$2.6 million |
| ACT | 63 | \$1.3 million |
| TAS | 31 | \$465,629 |
| NT | 28 | \$360,463 |
| State not provided | 20 | \$160,167 |
| Overseas | 561 | \$3.1 million |
| Total | 3007 | \$53.2 million |

Table 4: Age of people reporting cryptocurrency investment scams by number of reports and losses

| Age groups | Number of reports | Losses |
|--------------------------|--------------------------|----------------|
| Under 18 | 14 | \$8,409 |
| 18-24 years | 206 | \$1.7 million |
| 25-34 years | 570 | \$7.0 million |
| 35-44 years | 627 | \$7.6 million |
| 45-54 years | 352 | \$8.7 million |
| 55-64 years | 365 | \$12.6 million |
| 65 years and over | 356 | \$10.7 million |
| Age not provided | 517 | \$4.9 million |
| Total | 3007 | \$53.2 million |

- People aged 55-64 years have lost the most money to cryptocurrency investment scams so far in 2021.

The following case studies are examples of issues raised with the ACCC which are generally the report made by the consumers with identifying information removed.

Case study 1

Female reporter aged 35-44 years, losses of \$426,000 – losses have been substantiated with documentation

Report to Scamwatch:

Clicked on a link in Yahoo Finance Australia regarding an AI trading platform - led me to a marketing website where I registered with 220 USD. They then contacted me to set up an account. Got my confidence with good trades that were not highly leveraged. I signed into a contract with them. Now wanting to withdraw since April and I can't withdraw. There is 630k USD in equity. I input 420k in AUD. I have all the documents to show for transactions and communications. They won't let me have my money back without paying a "proof of investment fee" of 85k USD. The alternative was for them to trade my account to reach a minimum volume of 100,000 lots by November 2021 otherwise they would charge my account at 1% per month which would drain it to zero.

Case study 2

Male reporter aged 65 years and over, losses of \$310,000 – losses have been substantiated with documentation

Report to Scamwatch:

An internet advertisement featuring Dick Smith caught my notice in April 20. As a result I made an inquiry by phone and was encouraged to invest funds on a trading platform where a personal broker was appointed to assist with investment decisions. The funds were then converted to bitcoin and the wallet transferred to [redacted] where it was converted to \$US and credited to my account. I tentatively invested 20000 AUD on 16/4/2020 and a further 1300 AUD on 20/4/20. Despite being urged to invest more funds I resisted at that time advising the broker that I was only interested in learning the technique of online trading.

Some profits resulted and in order to test the site I made 4 withdrawals. On 22/04/20 I withdrew \$157.28, on 27/04/20 \$713.01, on 09/5/20 \$997.49, and on 21/05/20 A\$4987.47 all of which were deposited via my "wallet" where the Bitcoin was converted back to Australian dollars and credited to my account. Having satisfied myself that the system was functioning legitimately I continued to trade but resisted all the calls to deposit more funds. On the advice of the "broker" I took a forex position which performed extremely well one evening of early June only to find the next day that the position had deteriorated to a point where few funds were left in my trading account. There was a loss of contact for a few months.

Case study 3

Male reporter aged 45-54 years, losses of \$170,000 – losses have been substantiated with documentation

Report to Scamwatch:

I responded to a Facebook post showing interest to do automated forex or Crypto trading.

I was contacted by a person and made an initial \$1000 AU deposit.

From there I was contacted by a broker through a Whatsapp call who discussed trading with me. He sent me an ASIC cert and his broker details so I thought at the time was all legitimate

The account at all times seemed to be making money. I was told several times that I needed to get my account up to \$500k or I would not get the deal and attention from the broker.

Yesterday I informed him that I had no more money to give and decided I would close all trades and close the account. The broker closed the trades and account and I was then told I would have to pay exit fees Capital Gains to the IRS on profits and the broker fee of 5% which he has now said it has gone up to 15% because I'm a difficult client.

I said that's fine take your fees from my account and pay me the balance I was told that is not possible and all fees need to be paid first before they will release funds the fees are \$74,000 USD and I do not have. From there I received a barrage of abuse on messages through Whatsapp and by a phone call to me.

My account has now been closed.