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Crypto Fraud Incidents on the Rise

It seems like only yesterday that Bernie Madoff was sent to jail for his role in perpetrating a Ponzi-scheme fraud of incomprehensible size. Although the “investors” came from vastly different backgrounds and demographics, they all were driven to continue outperforming the market using a vehicle that was truly “too good to be true.” The next wave of these questionable investments with astronomical potential stems from the world of cryptocurrency.

The popularity of meme coins has exploded recently, and often follows pop culture. Elon Musk famously touted the DOGE coin on his *Saturday Night Live* appearance earlier this year. More recently, the crypto world saw the ebbs and flows of a new coin, the Squid Game Coin (SQUID). SQUID is the most recent example of opportunists leveraging both the fear of missing out and the popularity of the Netflix hit series *Squid Game*.

SQUID, which is not affiliated with the official Netflix IP *Squid Game*, was introduced to the market in late October. By Monday, November 2, SQUID hit a single-day trading price high of \$2,860. The very next day, the coin was trading at near \$0, amid allegations that founders had swapped out their SQUID coin for cash. Among the SQUID anomalies was the fact that, during its initial run, the coin did not experience a dip in its high. Typically, when a crypto coin starts to take off, early investors seek to liquidate a portion, but not all, of their holdings to cash out while the fervor is high. This dip never occurred with SQUID, and it reached \$1, then \$10, quickly after its initial surge.

The next wave of these “too good to be true” questionable investments with astronomical potential stems from the world of cryptocurrency.

CoinMarketCap, which tracks crypto prices and trading volume, raised the red flag following the drastic price increase. Investors alleged fraud and noted that the SQUID website and social media accounts were either down or deactivated. Subsequently, users were unable to divest their SQUID crypto on the token exchange Pancakeswap, a popular marketplace for meme coins.

Surprisingly, by the following weekend, SQUID’s market price increased to \$0.65—approximately 817% above its Friday low, and a mere fraction of its previous Monday \$2,860 high. The takeaway from SQUID is that, despite the fast-paced nature of crypto, it is always prudent to conduct due diligence before investing. No major cryptocurrencies are without blemish—even Bitcoin, which is currently trading at around \$65,000. Bitcoin has had its share of controversy, including early innovators being locked up for money laundering, a hack at one

of bitcoin's largest exchanges and the sheer fact that the "innovator" of bitcoin cannot be identified, among others.

SQUID may very well end up being characterized as a Ponzi scheme. Although the vehicle for fraud is different, the result is the same and those who entered the game at the latest dates were the most adversely affected. It is important to understand that crypto is inherently volatile. As a result, and as with all cryptocurrencies, tokens, NFTs, etc., it is important to take the time to analyze and investigate, understand the risk, use a reputable token exchange and continue to monitor the coin's activity—in real time—as it continues to evolve.

Note: My colleague Dan Dawson has written a series of articles describing the impacts of crypto in the energy and construction sectors, as well as giving an overview of cryptocurrencies. Those articles can be accessed [here](#).

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