

Crypto Harms: By the Numbers

The crypto industry paints a picture of crypto as a tool for financial inclusion and economic prosperity. However, when one looks at the actual numbers, the industry's record tells quite a different story – one of fraud, crime, scams, and economic hardship. Below are just a few facts and figures that outline the scope and scale of financial loss and harm that the crypto industry has inflicted on consumers and investors in the U.S. and around the world.

Crypto Crash Losses

- A study by economists from the Bank of International Settlements (BIS) found that, post peak crypto prices in November 2021, **\$1.8 trillion of crypto asset value was lost in the crypto crash in 2022.**¹ The study also said, using Bitcoin investments as a proxy, the median investor that bought bitcoin when the price was above \$20,000 at the height of the market, saw the **value of their investments decrease by half (50%) by December 2022.**
- Another study by BIS economists released in November 2022 estimated that **three-quarters of people who invested in Bitcoin between 2015 and 2022 lost money.**²
- An August 2022 Pew Research Center poll found that, of the 15% of U.S. adults who say they've invested in, traded or used a cryptocurrency, **46% report their investments have done worse than they expected**, while only 15% reported their investments have done better than they expected.³ This data was collected prior to the collapse of FTX.

Crypto Scams, Fraud and Financial Crime

- In 2022, cryptocurrency-related investment fraud reported to the FBI amounted to **\$2.57 billion**. This was an increase of a **whopping 183% from the previous year**⁴ and amounted to more than **two-thirds of all internet investment scam losses** reported in 2022,⁵ and **more than one-fifth**⁶ of all reported online fraud losses.⁷
- In 2021, crypto industry data showed that consumers and investors lost the equivalent of **\$7.8 billion dollars to cryptocurrency scams**, up 82% from 2020. This same data

¹Of that, \$450 billion in value vanished after the Terra/Luna collapse in May 2022 alone, while another \$200 billion was lost in the wake of the FTX bankruptcy in November 2022 – <https://www.bis.org/publ/bisbull69.pdf>

² Raphael Auer, Giulio Cornelli, Sebastian Doerr, Jon Frost and Leonardo Gambacorta, Crypto Trading and Bitcoin Prices: Evidence from a New Database of Retail Adoption (Basel, BIS: 2022), accessed January 30, 2023, <https://www.bis.org/publ/work1049.pdf>.

³

<https://www.pewresearch.org/fact-tank/2022/08/23/46-of-americans-who-have-invested-in-cryptocurrency-say-its-done-worse-than-expected/>

⁴ \$907 million

⁵ \$3.31 billion

⁶ \$10.3 billion

⁷ Internet Crime Complaint Center: https://www.ic3.gov/Media/PDF/AnnualReport/2022_IC3Report.pdf

reported that the equivalent of **\$3.2 billion in crypto assets were lost to theft in 2021**, a staggering **516% increase compared to 2020**.⁸ These figures have only increased in 2022 and beyond.

- In 2021, 46,000 Americans reported to the FTC⁹ that they lost more **than \$1 billion to cryptocurrency scams - 60 times higher** than the amount reported lost in 2018. Crypto-related scams accounted for **one-quarter of all dollars lost to fraud** reported to FTC during this period, **more than any other type of scam**.¹⁰ The median amount reported stolen was \$2,600.
- In 2021 the Better Business Bureau (BBB) ranked cryptocurrency scams as the **second riskiest type of scam reported to the bureau**. Although they only made up 1.9% of scams reported to the BBB, the median victim lost \$1,200, and 66% of people targeted by this scam reported losing money.¹¹
- Blockchain analytics company Chainalysis recently reported that “2022 was the biggest year ever for crypto hacking, with **\$3.8 billion stolen from cryptocurrency businesses**.”¹²
- These numbers are shocking, but don’t tell the whole story. Most figures above are based on data gathered from people self-reporting their losses. Yet, the FTC and other authorities estimate **that less than 10% of all fraud victims report scams** to regulators, entities like the BBB, or law enforcement.¹³ This suggests the numbers above may **vastly underestimate** how much consumers and investors have actually lost each year to crypto-related scams and fraud.

The Crypto Industry Needs Accountability, Not a Free Pass

Despite this tarnished track record, the crypto industry has criticized regulators for cracking down on the industry and spent hundreds of millions of dollars lobbying Congress to create weak new rules in the name of “innovation” that would fail to adequately protect consumers and investors and expose more people to the industry’s predatory practices and harms.

Consumers and investors should be wary of the industry’s exaggerated claims and false promises. Lawmakers should pursue strong regulatory oversight and accountability for the crypto industry, and resist pressure to cave to the industry’s influence.

⁸ <https://go.chainalysis.com/2022-Crypto-Crime-Report.html>

⁹ Federal Trade Commission

¹⁰

<https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2022/06/reports-show-scammers-cashing-crypto-craze>

¹¹ <https://bbbfoundation.images.worldnow.com/library/259c7333-0fb3-4bc0-a059-4b116594c473.pdf>

¹² <https://blog.chainalysis.com/reports/2022-biggest-year-ever-for-crypto-hacking/>

¹³ *Ibid.*