



Preying upon retail investors

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Bitcoin's price went through a turbulent period. The leading cryptocurrency's bumpy trajectory was a sufficient argument for policymakers to raise their voices against highly speculative assets and ask for more regulation. Meanwhile, central banks are printing monies at an increasing speed. There is a growing pressure to regulate the access of retail investors to alternative investments. But who is regulating the access of central banks to the money printers?

Christine Lagarde, the European Central Bank CEO, characterised Bitcoin as a "funny business" and suggested that the leading coin is a money-laundering vehicle. She indicated that global regulation is necessary. The Financial Conduct Authority, top UK's financial regulator warned retail investors investing in Bitcoin that they could lose all their money. In October 2020, the FCA banned the sale of cryptocurrency-based derivatives to retail investors. Moreover, in December last year, the UK's top financial watchdog launched a public call for input concerning the consumer investment market. It is clear that on both sides of the Channel policymakers are preparing new laws aiming to protect retail investors.

Since the beginning of the pandemic, many markets are rallying due to a massive inflow of private investors' liquidity. The big winners are tech stocks like Tesla, which saw their prices going through the roof as they become popular via trading platforms like eToro or Robin Hood. Fintechs are also proposing a significant number of solutions that would rechannel a chunk of this liquidity to alternative markets. Private equity, peer-to-peer loans, or start-up shares are only a few examples of assets attracting retail investors.

Crypto vs Fiat

The real issue is why policymakers point their fingers only in one direction. Why Bitcoin is a high-risk investment, and a Tesla share is not? Why Seedrs's secondary market is better than a crypto-exchange? Are we dealing with cherry-picking?

"Fake it until you make it" is a widespread phrase in the entrepreneurial world and preached by the gurus of financial independence. Since the pandemic outbreak, central banks, including the ECB, are using strategies inspired by this motto. The money helicopter known as quantitative easing is nothing else than a fake illusion of abundance. By creating this fake illusion, governments hope to buy time and miraculously enter a J-curve recovery. Nevertheless, playing with illusions is a dangerous game. Policymakers are taking steps to control individuals' access to market trading to limit their potential losses. But who is overseeing the money printing strategy that could translate into even more significant losses for the same individuals?

If regulators decide to protect retail investors, they should develop a framework that delivers them from all evils.

"Act as if! Act as if you're a wealthy man, rich already, and then you'll surely become rich. Act as if you have unmatched confidence and then people will surely have confidence in you. Act as if you have unmatched experience and then people will follow your advice. And act as if you are already a tremendous success, and as sure as I stand here today - you will become successful."

Jordan Belfort, The Wolf of Wall Street

Focus: RG Coins laundered monies

Rossen G. Iossifov, a Bulgarian national, aged 53 was sentenced last week at 121 months in prison by a U.S. District Court. The evidence served in court showed that Iossifov owned and managed RG Coins, a cryptocurrency exchange headquartered in Sofia. He used the exchange to laundering proceeds of criminal gangs,

**Bulgarians laundered Romanian
crime monies**

including a notorious Romanian scam ring known as Alexandria Online Auction Fraud (AOAF) Network. AOAF members posted false online advertisements on websites like craigslist and eBay for high-cost cars. More than 900 US-based individuals were scammed and lost their deposits. The funds pocketed by the Romanian gang were converted into cryptocurrencies and laundered through RG Coins.

Focus: Capital One fined

2020 brought over 7.4 billion euros in penalties to financial institutions for irregularities in their KYC/AML processes. The season for hunting non-compliant banks is open all-year-round. Capital One Financial Corp, a leading US-based credit card has to pay a fine fo 390 million USD for breaching anti-money laundering laws. The violations occurred from 2008 through 2014 and resulted in thousands of suspicious transactions remaining unreported.

With maigre national budgets and many fintech generating fat profits, the forecasted penalties for 2021 could be two times higher they were in the last year.

Sanctions: Cuba under pressure

The Treasury's Office of Foreign Assets Control issued last week new sanctions against Cuba. The new set of measures concern Cuba's interior ministry and its minister, Lazaro Alberto Álvarez Casas for serious human rights abuse. The sanctions are the result of Trump's 2017 executive orders. The president-elect Biden has a totally different strategy with respect to foreign policy. But one thing will most likely not change from his predecessor and that is the sanctioning policy.

The season for fines is open

More sanctions...

The word on the street:

‘Ndrangheta’s trial started

More than 300 members of ‘Ndrangheta, Europe’s biggest organised crime syndicate are preparing for a lengthy trial that could last over three years. The court is located in specially arranged premises near Lamezia Terme in Calabria. It is the biggest mafia trial in Italy since the early 1990s when the Italian justice brought down the Corleonesi. While law enforcement representatives are happy with this achievement, they forget that such maxi-trials are not without consequences.

When the Sicilian mafia went through a massive shake-down in the early 1990s, the significant number of indictments left a power vacuum in Italy’s underworld and on the international scene of organised crime. Thus, ‘Ndrangheta took over Sicilian turf and became the leading organisation in Italy. Overseas, the Russian-speaking organised crime increased its presence and took over many operations controlled by the Mafiosi.

If, ‘Ndrangheta loses street power, which organisation will take over? The critical element in the equation is the European cocaine wholesale market controlled traditionally by the Calabrians.

Who will pay the cost?

Know Your Network, AI meets KYC

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The information and data published in this newsletter were prepared by the market research department of Schwarzthal Tech

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