

AFM warns for 'pump&dumps' with crypto's

In brief A 'pump&dump' in crypto is the manipulation of a crypto-asset, with the goal of making quick profits for the organizers. The AFM has analyzed the social media activity and price movement surrounding three pump&dumps, and is concerned about this widespread practice. Participants are likely to be misled, while the organizers take profits. Above all, the AFM calls attention to the upcoming provisions under MiCAR: organizing as well as participating in a pump&dump will be **prohibited as of December 30, 2024**.

Pump&dump: how it works

1

The organizers target or create a crypto-asset and platform for the pump&dump. They buy a **large amount for a low price**.

2

The organizers promote this crypto-asset via social media, often using terms such as **"pump", "to the moon", or "FOMO"** while promising amazing returns, sometimes up to 800%. Finfluencers may be involved at this stage.



3

Participants (consumers and investors) buy the crypto-asset, causing the **price to increase rapidly**.



4

The organizers sell near the top locking in huge profits, causing **the price to go down**.



5

The participants are left with a nearly worthless crypto-asset, and a **huge loss**.

