

Short Paper: DeFi Deception — Uncovering the prevalence of rugpulls in cryptocurrency projects

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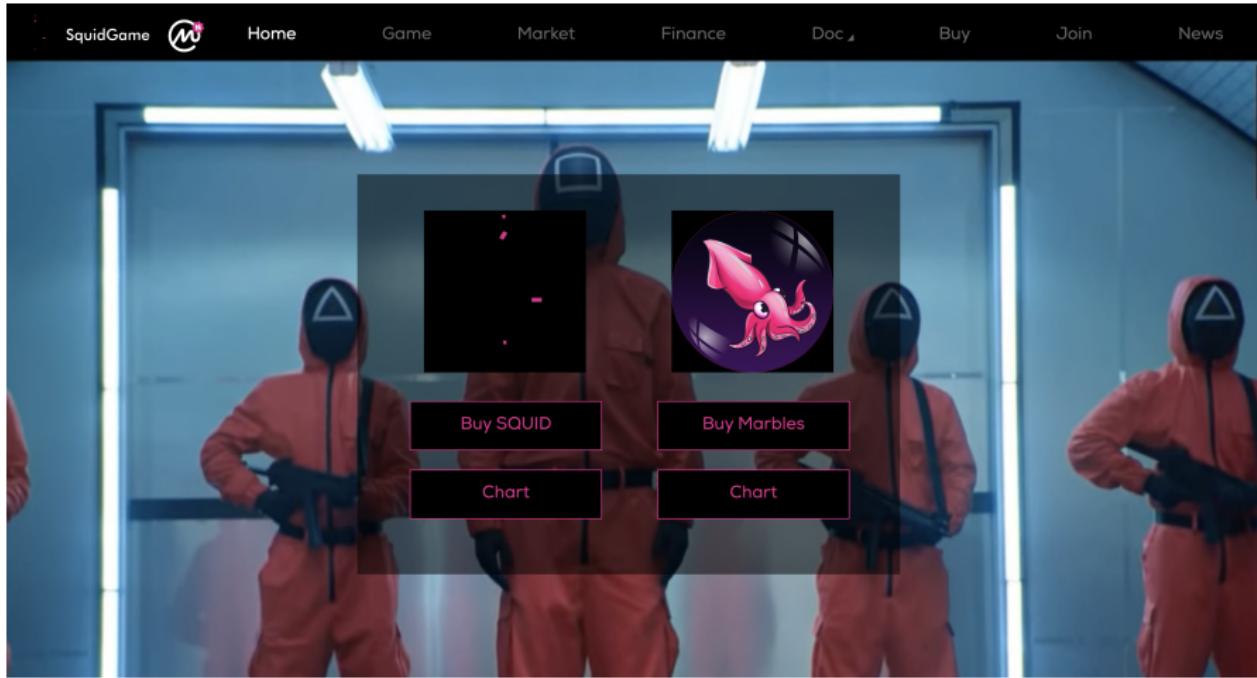
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Rugpull Scams

“Developers abandon the projects without providing the promised products or services and run away with investors’ funds.”

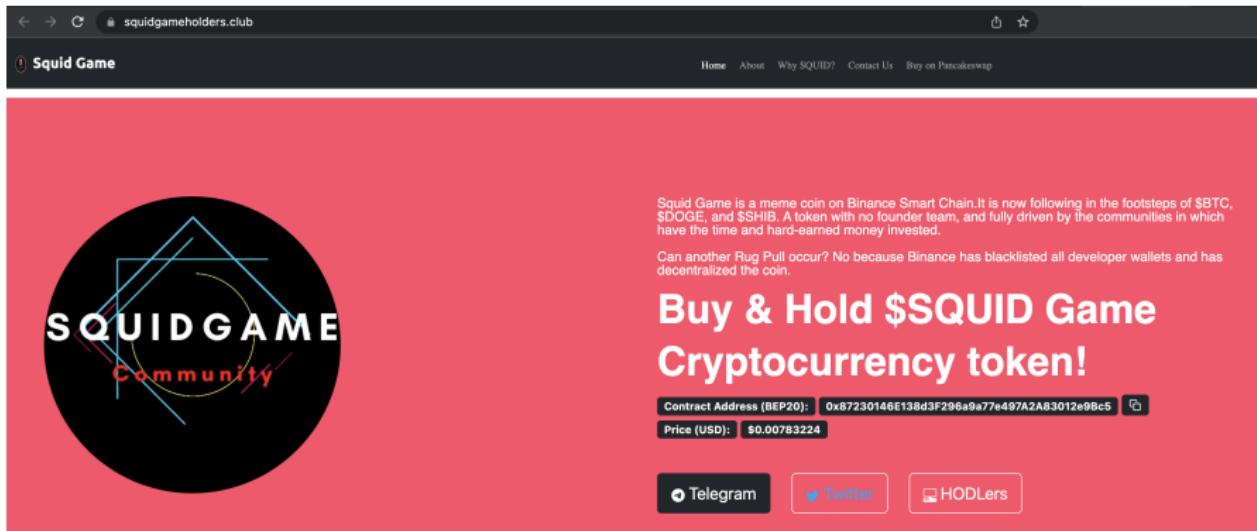
SquidGame Token



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Live Rugpull of SquidGame

SquidGame Token is back!



The screenshot shows the official website for the Squid Game token. The header includes the URL "squidgameholders.club", the title "Squid Game", and navigation links for Home, About, Why SQUID?, Contact Us, and Buy on Pancakeswap. The main visual is a large black circle containing the text "SQUIDGAME" in white and "Community" in red, overlaid with abstract geometric shapes like triangles and circles. To the right, a red background section contains text about the coin's history and a call-to-action button.

Squid Game is a meme coin on Binance Smart Chain. It is now following in the footsteps of SBTC, \$DOGE, and \$SHIB. A token with no founder team, and fully driven by the communities in which have the time and hard-earned money invested.

Can another Rug Pull occur? No because Binance has blacklisted all developer wallets and has decentralized the coin.

Buy & Hold \$SQUID Game Cryptocurrency token!

Contract Address (BEP20): [0x87230146E138d3F296a9a77e497A2A83012e98c5](#) 

Price (USD): [\\$0.00783224](#)

 [Telegram](#)  [Twitter](#)  [HODLers](#)

Roadmap

We empirically measure rugpulls and report on their incidence.

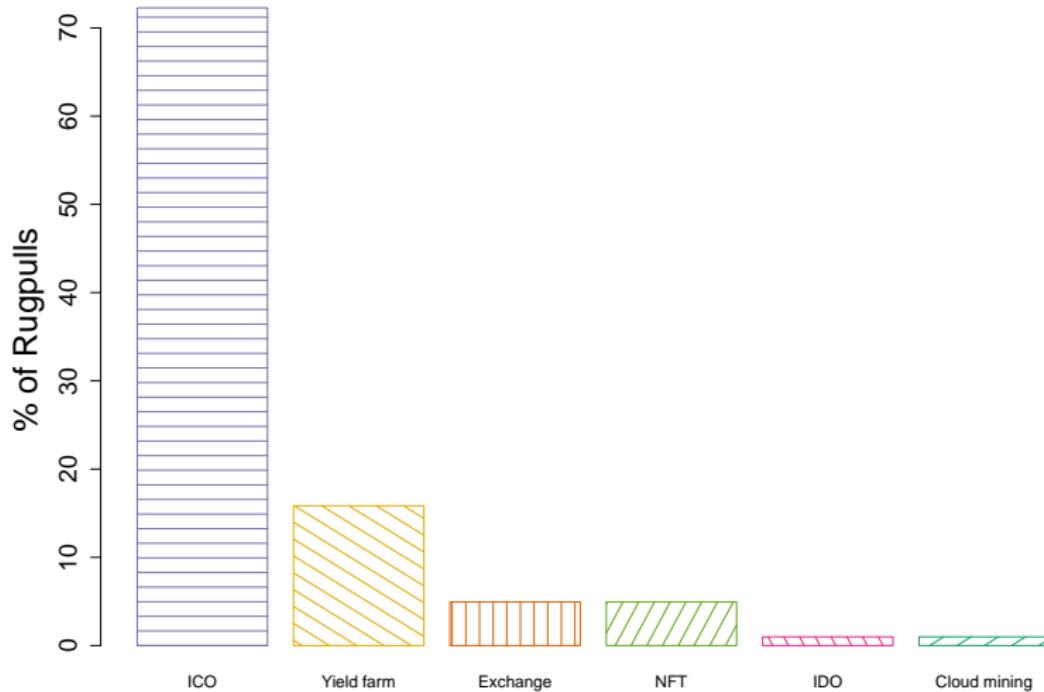
- Methodology
- Analysis of rugpulls' lifetime
- ICOs introduced vs. rugpulled ICOs
- Analysis of scam lures

Note that we consider slow as well as fast rugpulls.

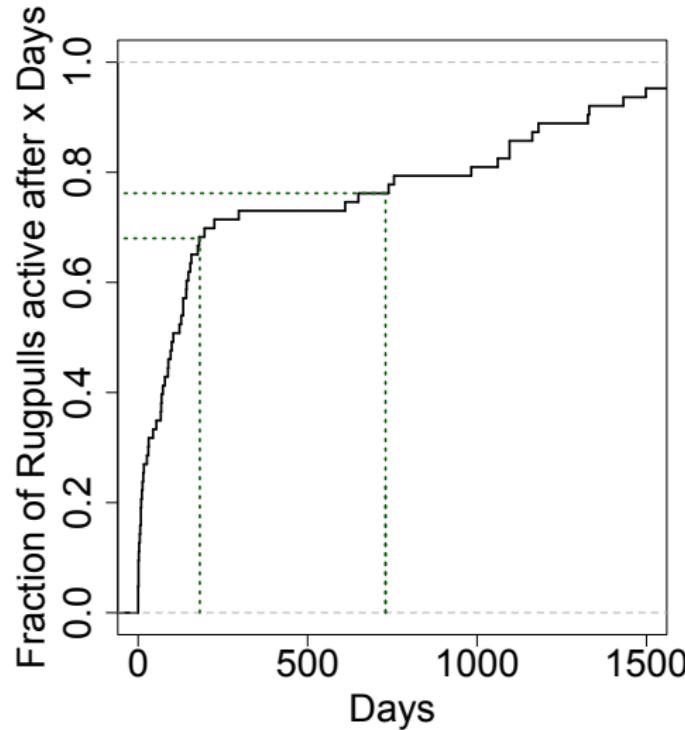
Methodology

- Data Collection
 - Search for rugpulls on Bitcointalk.org between 2018 and 2022
 - Manually refine the rugpull list
 - Find the announcement (ANN) threads for identified rugpulls
 - Collate data on ICOs introduced between 2014 and 2022 from aggregators
- Apply the lure principles adapted from Stajano and Wilson on the extracted content of ANN threads
 - Authority, Dishonesty, Distraction, Financial, Herd, Kindness, Time

ICOs: Most Common Rugpulled Service (N=101)



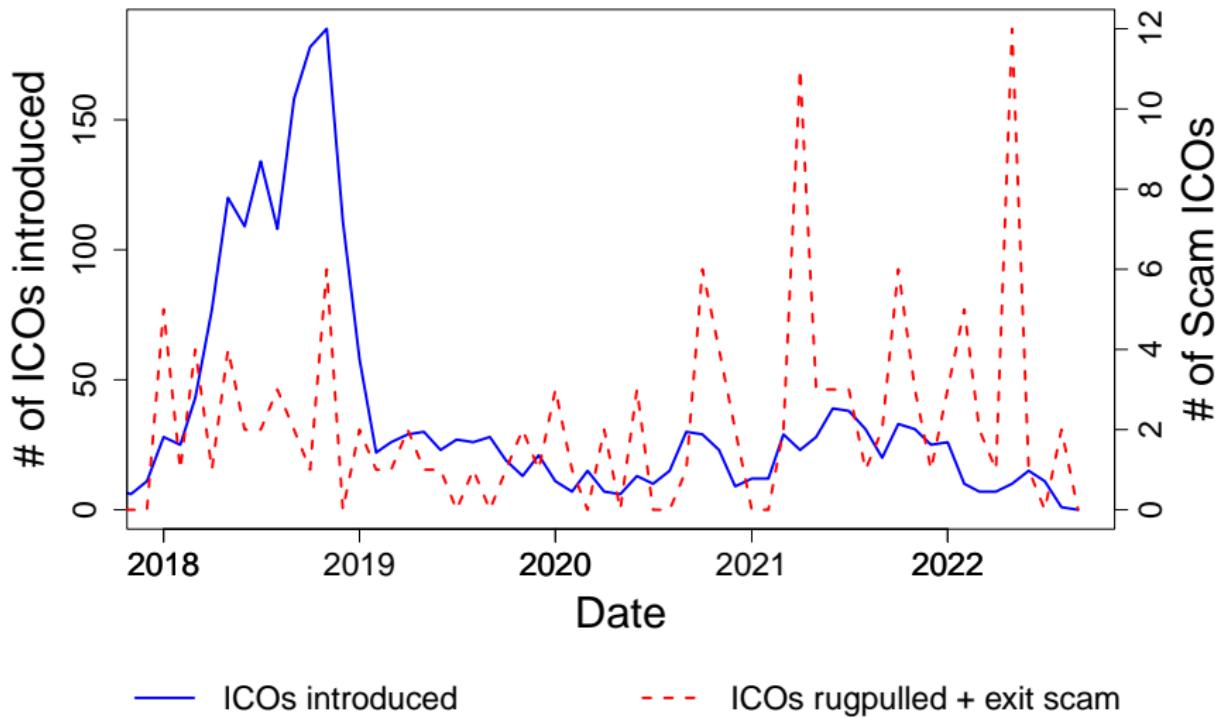
Active Time of Rugpull Services (N=63)



Further Findings

- Projects rugpulled before Sep 2021 were active for a long time (median 384 days)
 - Longest-running rugpull was active for 2551 days
 - WX Coin started in 2018 pulled the rug after 3 years
- Projects rugpulled in 2022 were active for a short time (median 110 days)
 - VoodooVault started in Mar 2022 rugpulled within 104 days

ICOs: Introduced vs Rugpulled (N=127)



Qualitative Findings

- Many rugpull projects use marketing tools
- The authority principle is used in rugpulled projects
 - Project A claims to provide a better consensus protocol
 - Project B claims to be sponsored by reputable fund providers
- We found similar examples of use of these marketing techniques in legitimate projects

Qualitative Insights

- The financial principle is also used in rugpulled projects
 - Project C promises “an outstanding rate of passive return on a guaranteed and effortless basis”.
- The time and herd principles are used in some other rugpulled projects
 - Project D encourages users “not to miss an opportunity to see their tokens’ price increase, which will happen if more people join the project”
- We did not find these types of strategies used to advertise legitimate projects

Policy Options

- How necessary is it?
 - Rugpull Scams contributed to 37% of cryptocurrency scam revenue in 2021
- Market in Crypto-Assets (MiCA) proposed by European Commission
 - Publish detailed white paper
 - Right to withdraw or be reimbursed (when possible)

Conclusion

- Collected 101 rugpulls from 6 different types of DeFi services
 - Dataset available: <https://doi.org/10.7910/DVN/SMGMW8>
- ICOs form the majority of rugpulls (72%)
- Most rugpulls were active for less than six months
- Number of rugpulled ICOs has decreased since the second half of 2022
- Rugpulls primarily use authoritative and financial lures to scam victims

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Questions



Backup

BTC/ETH-USD and rugpulls

