

# Dept. of Financial Institutions: Five states file enforcement actions to stop Russian scammers perpetrating Metaverse investment fraud

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May 11, 2022 – Five state securities regulators simultaneously filed enforcement actions against a Russian organization allegedly promoting fraudulent metaverse investments to residents of the United States. The actions accuse Flamingo Casino Club of perpetrating the scam through the offer of nonfungible tokens, commonly referred to as NFTs, purportedly tied to a metaverse casino. The actions were filed by the **Alabama Securities Commission, Kentucky Department of Financial Institutions, New Jersey Bureau of Securities, Texas State Securities Board, and Wisconsin Department of Financial Institutions.**

The scheme is rooted in the metaverse – a term that generally refers to one or more interconnected virtual worlds that promote interactivity, entertainment and commerce. Recent advances in technology permit users to access these virtual worlds through digital representations of themselves, often referred to as avatars, and socialize, play, shop or even work. Metaverses are becoming increasingly popular as corporations continue to invest in augmented and virtual realities that increasingly intersect with movies, video games and popular culture.

Although metaverses are generating widespread public interest, bad actors are now leveraging the widespread public interest to perpetrate fraudulent investment schemes. Alabama, Kentucky, New Jersey, Wisconsin and Texas filed today's actions to proactively stop this type of fraud and protect the public from irreparable

harm.

The five state regulators are unanimous in strongly cautioning the public, “Although advances in technologies create exciting new opportunities for many businesses, scammers are already attempting to capitalize on the hype associated with metaverses and NFTs. They’re developing high-tech ploys to create a facade of legitimacy and deceive victims – while playing on their emotions by falsely promising lucrative profitability, guaranteed income, financial security and the once-in-a-lifetime opportunity to become metaverse millionaires. We’re uncovering an increasing number of suspect solicitations for unregistered securities tied to the metaverse. Today’s action is just the tip of the iceberg.”

The five state actions against Flamingo Casino Club highlight the pitfalls associated with these virtual promotions. For example, Flamingo Casino Club allegedly started operating from Russia in March 2022. It has since been fraudulently soliciting NFTs that purportedly convey ownership of a metaverse casino and the right to share in the profits of the metaverse casino. Investors purportedly profit when patrons, acting as avatars, pay to play virtual craps, blackjack, roulette and other games.

Flamingo Casino Club allegedly touted the validity of its operation by claiming to develop its metaverse casino through a partnership with the Flamingo Las Vegas, an established casino operating in Nevada. According to the orders, however, this representation is simply false – Flamingo Casino Club simply has no relationship or affiliation with Flamingo Las Vegas. The state actions also accused Flamingo Casino Club of deception and fraud in claiming to be partnering with Yahoo and MarketWatch.

State regulators also recognize that online scammers often take steps to remain anonymous and hide their true identities – which often enables them to “go dark” and disappear when their schemes collapse. Today’s orders accuse Flamingo Casino Club of implementing similar tactics. Not only is it allegedly concealing its connection to Russia, but Flamingo Casino Club is also allegedly using a phony office address, providing a telephone number that is not in service, concealing its actual physical location and hiding material information about its principals. Flamingo Casino Club is also accused of concealing other important information,

such as its use of funds and material information about its negotiations for the purchase of land – which it claims to be buying from Snoop Dogg.

Instead of engaging financial professionals to market its NFTs, Flamingo Casino Club is allegedly soliciting investors through its website and various social media platforms, including a Twitter handle, a Telegram channel, an Instagram page and a Discord server. It is also allegedly relying on anonymous social media influencers to recruit potential investors. For example, the order alleges an anonymous influencer known as Tommy published a video in YouTube touting the profitability of the metaverse investment scheme. According to the order, Tommy is not a financial advisor and not licensed to act as an agent for Flamingo Casino Club – yet his video covering the securitized NFTs has been viewed almost 40,000 times. Another unregistered anonymous influencer known as Flozin published a video in YouTube touting the securitized NFTs – and his video has already been viewed more than 41,000 times.

The five state regulators provided guidance for investors considering securities issued by online promotions of metaverse investments, “The same rules that apply to investments in the physical world continue to apply to investments in virtual worlds. Screen names are not a substitute for real names. Qualifications and experience matter. There are no virtual risks, just real risks of losing real money in a real scam. The best defense isn’t rooted in technical knowledge but traditional due diligence. Investors should put aside emotion, investigate red flags of fraud and objectively consider all material information before purchasing securities.”

Joseph Borg is the Director of the Alabama Securities Commission, Marni Gibson is the Director Division of Securities of the Kentucky Department of Financial Institutions, Attorney General Matthew J. Platkin administers the New Jersey Bureau of Securities, Travis Iles is the Commissioner of the Texas State Securities Board and Leslie M. Van Buskirk is the Division of Securities Administrator of the Wisconsin Department of Financial Institutions. The agencies can be contacted through the following means:

**Alabama Securities Commission:** (Website: [www.asc.alabama.gov](http://www.asc.alabama.gov), Contact Nick Vonderau by phone at 334-353-7697 or by email

at [nick.vonderau@asc.alabama.gov](mailto:nick.vonderau@asc.alabama.gov))

**Kentucky Department of Financial Institutions:** (Website: [kfi.ky.gov](http://kfi.ky.gov), Contact Marni Gibson by phone at 502-573-3390 or by email at [KFI@ky.gov](mailto:KFI@ky.gov))

**New Jersey Bureau of Securities:** (Website: [www.njsecurities.gov](http://www.njsecurities.gov), Contact Gema de las Heras by phone at 609-292-4791 or by email at [dcapress@dca.njoag.gov](mailto:dcapress@dca.njoag.gov))

**Texas State Securities Board:** (Website: [www.ssb.texas.gov](http://www.ssb.texas.gov), Contact Joseph Rotunda by phone at 512-689-4623 or by email at [jrotunda@ssb.texas.gov](mailto:jrotunda@ssb.texas.gov))

**Wisconsin Department of Financial Institutions:** (Website: [www.wdfi.org](http://www.wdfi.org), Contact Robin Jacobs or Mike Gavigan by phone at 608-266-2139 or by email at [DFIDLSecuritiesEnforcement@wisconsin.gov](mailto:DFIDLSecuritiesEnforcement@wisconsin.gov))