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Research Note

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## The New Era of Online Trading Companies for Digital Coins (Cryptocurrency) Between Integrity and Abuse: Accounting and Finance Perspective

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### Abstract

In this paper, I start by my saying "you purchase in a safe environment to benefit others and deliver what you have purchased to a thief" which is built on my accidental experiential research in the new era of online trading companies for digital coins known as cryptocurrency. And in this study, I show how online trading companies for cryptocurrencies are of no integrity and can abuse us as small or large investors and cause us a great loss by their unreliability, fraudulent, and unfaithful polices and strategies.

**Keywords:** Digital coins, Safe environment, Integrity, Abuse

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Mainly, this type of cryptocurrency is still under study and still faces deliberations in regard to the method to account for in the investors accounting system. According to Generally Accepted Accounting Principles (GAAP), cryptocurrencies are recorded as an intangible asset at cost, and the diminution in value must be recorded. This implies that the value of a company's balance sheet may erode over time. And, according to the International Financial Reporting Standards (IFRS), the cryptocurrencies are considered to be inventory and should be accounted for in terms of IAS 2 Inventories. Inventories are typically measured at the lower of cost or net realizable value.

Moreover, this type of cryptocurrency has never been presented by investors in the financial statement of balance sheet as capital to help maintain a source of finance similar to capital stocks, and accordingly has never shown any gains or loss whether realized or unrealized in the comprehensive income statement.

As a consequence, investing in such cryptocurrency nowadays is considered an experiment with unpredictable promising financial growth, rather it can be a cause for investors losing cash very rapidly without any previous warning or alarm. As its created market is highly volatizing and sometimes technical analysis indicates erroneous indications, All of this is based on assuming that investors trade such cryptocurrency by themselves in the market without the help of the so-called online trading companies for cryptocurrencies currently appeared in the international markets, who can play dirty tricks to attract and abuse investors.

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In fact, investors can trade the cryptocurrency in a platform of high technology, like a platform of "binance", where trading can be safely practiced whether by small investors or large investors in a manner called Peer-to-Peer (P2P) method for trading, by buying and selling directly from each other to benefit from the exchange rates fluctuations without incurring any charges or taxes, but the return on such trading is limited and cannot be a source of large cash to use by individuals or businesses, besides it is a time consuming practices where you should be ready for trading 24/7 for several periods in order to get a potential large amounts of cash in the end.

As a result, the accounting and financing deliberations regarding this cryptocurrency have led to the risk of erroneous measuring, the failure of disclosing, and the nonreliability of cryptocurrencies to be a source of finance. Accordingly, appears the absence of relevance and reliability (faithful representation), which become a challenge for investors to make a correct investment decision in regard to investing in those cryptocurrencies.

In this paper, I intend to show my experiential and accidental research in the market of cryptocurrencies for the purpose of warning small and ordinary investors particularly from the fraud and abuse they may face if they make an investment in cryptocurrencies out of the platform of P2P method and its regulations for trading. As the small ordinary investors may be attracted online by offers to grow their cash in a quick manner, which will sound good to satisfy their needs and their beloved ones needs. Therefore, such investors can become a good hunt to be sought by so-called online trading companies for cryptocurrencies.

This game of hunt starts by a young beautiful lady or a gentleman of a good looking as they call themselves account managers of online trading companies for cryptocurrencies, who follow you on a social media like Instagram (in my study), whereas most of us use the Instagram to post pictures that indicate our personality, interests and our environments and values. Therefore, those account managers seek the profiles that they go through to collect information about us and start following the profiles that look good for their game to start, then they start conversation of marketing online with you if you followed them back and give them a reply.

Therefore, it is recommended not to give such account managers your complete trust, because they are coming to us in purpose, and to attract us by illusionary offers and unrealistic predicted profits and growth, that by the end you will find them of no integrity and no reliability. Moreover, they might abuse and threat you in a shape that appears formal by the companies they represent in order to take (steal) more cash from you.

The experiential accidental study I have is very clear to show that I was misled and abused, I was hunted by two account managers of two different online trading companies for cryptocurrencies, one company is in England and the another is in the USA, I wish I could mention their names and websites and the names of the account managers, but for the sake of scandals and reputations, I prefer not to disclose.

The first account manager in England attracted me and probably many others by making me registering in their company website and have an account, then to purchase Bitcoins of \$2000 through the binance platform which is equivalent to 75,000 Egyptian pound at this time, and send it to the electronic address of this company. The offer is that the \$2000 Bitcoins will be traded in a mining software (Algorithm software) to generate weekly profit \$75. Then this company website is down for more than one month, and the account manager always say it is under maintenance, and there is no any profit I received for this period. Then the company sent an email to reactivate my account because of a merge they performed with another company.

Then, the company sent me another email forcing me to raise my investment from \$2000 bitcoins to \$3000 bitcoins (equivalent to 112,000 Egyptian pound) otherwise my investment of the first \$2000 bitcoin will be on hold, and I had to do so in order to save my investment even though I had no any profit as I was promised from the beginning.

Then the company sent to my wallet on binance \$75 only two times, then the company finally, sent me an email informing me that I have to pay \$13,000 bitcoins to raise my investment and have the profits increased by 89% because the company is upgrading the software of trading, otherwise my investment will be crashed. I sent the company and the account manager an email asking to close the account and have my investment back. But it is apparent that I was abused, they don't answer me for weeks and months to come. That was the first experiential study I accidentally performed and I admitted the loss.

The second account manger followed the same methodology the first one did, but in this case the offer shows profits that look more higher and more attractive, and at the same time I was in such loss I came out from the first illusionary investment with the company in England (which is the initial investment of \$3000 and no profits, in addition to the investment crash unless I pay more \$13000 in bitcoins). Therefore, I was encouraged to try this offer and probably cover the loss I had. The offer begins by investing \$1000 in bitcoin and take profits of \$5000 in cash or bitcoins as you like each 5 trading days, but the company will take 30% of this profit as commission (it was not mentioned how it will take the 30% commission). In addition, I was told that the profit

is guaranteed and the company has never lost any investor for a decade, and if I invest more and more, I will get higher profits.

Afterwards, I purchased the \$1000 bitcoins and registered to the website of the company to get my account, I took the required tour through the website to choose the \$1000 bitcoin investment to purchase, but I find it inactive, and I should start the investment by \$2000 bitcoins, I wrote to the support email to claim for what the account manager told me and was not true. Nevertheless, they confirmed that I should start by the \$2000 bitcoin investment and the \$1000 bitcoins investment is no longer available. So, my loss has increased by then, and I had to pay more \$1000 bitcoins to purchase investment called starter for \$2000 bitcoins, then the profits will be doubled for \$10000 each 5 trading days.

After two days, the account manager and the company informed me that my investment of \$2000 bitcoins is not making profits as predicted, even though it shows profits but less by few dollars. Rudely, the company sent me an email that my account is frozen in order not to withdraw any profits, and I was banned from accessing my account. But the company informed me again that everything will be normal and promising again if I paid more \$1500 bitcoins to purchase an investment of \$3500 called regular investment. Therefore, I become like a blind investor does not know what to do, and no one would give you an exact advice in this situation for an investment that is still under deliberations for how to control or to account for or audit.

Despite, I followed the account manager and the company support after a long negotiation where I wanted to close the account and suggested to donate everything to this unreliable company. Nevertheless, I purchased the \$3500 bitcoins regular investment to save whatever I can. By the end of the first 5 days, the profits are shown in my account wallet for \$ 33900, and I received an email from the company asking me to withdraw all of the \$33500 profits in cash to my bank account or in bitcoins to my bitcoins' wallet address. So, I asked to withdraw \$25000 in cash to my bank account, and \$8900 in bitcoins to my bitcoins' wallet address.

Directly after my request, I received a very rude email from this company informing me that I don't have the right to withdraw my profits because my account is not eligible and accordingly is frozen, and in order to transfer my profits as per my request I have to pay the 30% of this profit as the commission before I can receive any of this profit, which is (the commission)  $\$33900 * 30\% = \$10170$  bitcoins, equivalent to 396630 Egyptian pounds. So, I went again with a frustrating negotiation with the support of this company, and they offered to pay 60% of the commission (\$6000 bitcoins) immediately, and the 40% (\$4000 bitcoins) to be guaranteed by the account manager if he accepted to be paid by me after receiving the profits.

I decided to sacrifice everything and admit the loss I have and stay away from this company leaving the whole amounts of investment and profits to this company, because I know that I will not prove any of my payments with a clear document or a contract ( that protects my rights and show the terms in a legal way from the date of the agreement) in order to sue this company (because they did not tell me from the beginning how the commission will be paid, and I understood from the gentleman so-called the account manager that this 30% commission will be deducted from the total profits and I will receive the net, which wasn't true) , and this is one of the worst things you can have if you invested online in such cryptocurrencies online trading companies, and at the same time you are not a citizen or a resident in the country where the companies locate (England and USA in my study).

The account manager of this company informed me that if I leave everything this way I decided, it will be bad for his record. In my view, because he has never lost an investor in decades as he pretends, and a while after he informed me again that he stands as a guarantee for 40% to be paid by me after receiving the potential profits, but he will arrange the payment of the 60% if I paid only \$1300 bitcoins. Again, as a blind investor, I agreed in order to save whatever I can save, and sent him the bitcoins to the company's address. He managed to convert my \$1300 bitcoins into another cryptocurrency called Ethereum, where the \$1300 bitcoins =  $0.046 = 0.67$  Ethereum which by trading he managed to generate 2.869643 Ethereum, and he sent the 2.869643 Ethereum to the company and sent me a screenshot of the transfer showing the 2.869643 Ethereum = \$6222.19, if you go to the web and check for the conversion of this Ethereum to dollars, it will show \$ 5522.91 not \$6222.19 proving that there is something fraudulently hidden. He justified this difference as a tax deduction while transferring the Ethereum, which I doubt. Nevertheless, he asked me to pay the difference, and I still have cash to pay and use to follow what will happen, and I paid the difference of \$500 bitcoins as he asked me in order to get my profit in the end regardless of whatever fraud is shown in this situation.

Afterwards, it was expected to get my profits transfer finally, but the company sent me an email asking for more payments to cover charges of \$899 assigned as: for the broker \$360, for taxes \$250 for maintenance \$289, otherwise I will not receive my profits (*Well, I start to smile right now while writing such dirty scenario*). Anyways, as experiential accidental study I'm involved in and at the same time a blinded investor, I managed to pay to the

company the required charges, so I transferred to the company \$934 bitcoins to their address to end this worst investment one can have in his or her entire life. Not surprisingly, the company argued with me that it received only \$779 bitcoins and I have to pay the difference of \$200 bitcoins in order to get my profits.

As usual, my emails were sent to the support for such unfairness, and in short, I stopped arguing and asking, and told the account manager and the company to keep everything and take it or fabricate it, and stay away from me. And by this, I had finished my experiential accidental study, no matter what I have lost, concluding that these two companies and its account managers are big thieves and will cause a bad reputation to all online trading companies for cryptocurrencies in England, the USA, and elsewhere. So, it is my duty to warn all small investors and probably large investors to never deal with any online trading company for cryptocurrency wherever they are unless there is a predetermined legal contract or agreement to protect the rights of the investors and the terms of payments and potential profits and everything subjected to deliberations and arguments.

## Conclusion

I express in this article my accidental and experiential study, which reveals how it is risky to trust the so-called online trading companies for digital coins (cryptocurrencies), and those who are working for them and called account managers. It is apparent that this new trend for investment in cryptocurrencies offered by those online trading companies is a risky investment, due to the corruption, unreliability, and the absence of integrity, when dealing with those companies.

Therefore, the digital coins, and the bitcoins in particular in my study, are not a guaranteed source of finance or a good opportunity for investment. Moreover, the beginner and professional investor can be misled and abused by those corrupted online trading companies, and can lose their invested cash so quickly if they trusted those companies, whereas there is no one single document or contract to protect the rights of the investors when theft and abuse take place after the deal, same as my results revealed in this accidental and experiential study applied in the United Kingdom and the United States of America.

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