

# Be Cautious Of DeFi Rug Pull Scams: Cyber-Forensics Explains Different Types Of Rug Pull

*Fraudsters are creating new coins and promoting false information about them to get the attention of potential investors to invest in them.*

SOFIA, BULGARIA, July 8, 2022 /EINPresswire.com/ -- Decentralized Finance(Defi) has grown enormously, with a total market capitalization of more than \$146 million. It uses blockchain technology to get access to financial services without being constrained in the way that centralized financial institutions.

Despite how helpful and fast it has been to enhance financial access, it has become one of the most targeted ways for scammers to execute internet thefts. Such kinds of scams are known as Defi rug pull or rug pull.

According to a report by Chainalysis, Rug pull has emerged as the most popular scam in the Defi ecosystem, accounting for 37 percent of all cryptocurrency scams revenue in 2021.

In 2021, the rug pull scam took in more than \$2.8 billion worth of cryptocurrency from victims.

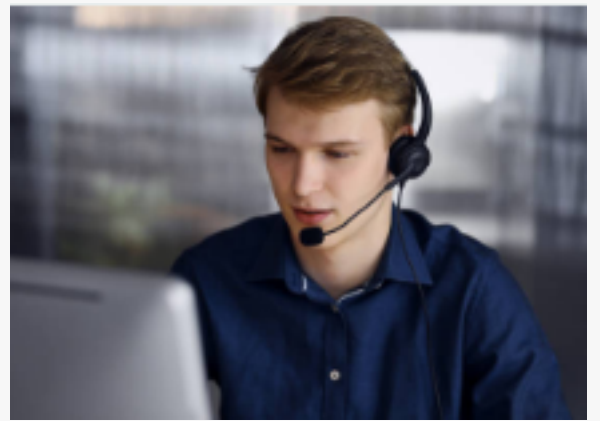
The most prominent rug pull of 2021 involved a token purportedly tied to a Korean Netflix drama, Squid Game, known as SQUID coin. The coin surged by more than \$2,861 in early November before tanking as the developers made off with an estimated \$3.38 million in funds.

Another significant rug pull was the Unicats, an Ethereum-based "yield farming platform." Unicast allegedly stole nearly \$200,000 worth of cryptocurrency from several users. A backdoor in the intelligent contract allowed UniCats to retain control over its users' tokens even after being withdrawn from its pool.

Cyber-Forensics.Net, a fund recovery service for online scams, says, "Rug pull is most commonly seen in Defi. Developers create new tokens and promote them to the investors. These investors trade for the new token hoping the value of the token will rise. But the developers drain the funds from the liquidity pool by sending the token's value to zero and disappearing with the



Cyber-Forensics.net



Cyber Forensic Specialist



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*Timothy Benson*

investors' money."

### What Is A Rug Pull And Its Different Types?

When a Malicious developer creates a token and pairs it with prominent cryptocurrencies such as Bitcoin or Ethereum, then abandons the project and flees with investors' funds, it is called a rug pull.

The token creator creates a buzz on social media platforms to gain the attention of potential investors and go to extreme extents to win the investors' trust. Once the

investors get involved, the creator dramatically drops the price to zero by removing money from the liquidity pool.

### Types Of Rug Pull-

There are mainly three types of rug pull 1) Liquidity Theft, 2) Limiting Selling Orders, and 3) Dumping.

1. Liquidity Theft: When the token creator withdraws all the coins from the liquidity pool, it is known as liquidity theft. This causes the drop in the price to zero.
2. Limiting Selling Orders: The token developers have coded the token so only they can sell them. The investors can sell or purchase tokens at a specific price set by the developers.
3. Dumping: At last, the developers immediately sell off their supply of tokens which results in the fall of the coin's price, and the investors are left with useless tokens.

### How To Identify And Avoid Rug Pulls?

Timothy Benson, a chief analyst at [cyber forensics](#), says, "Before investing or trading in any new token, investors should do quick research on the developers of the token. Investing just because the creator claims a big rise in the value can lead to no good. One should be cautious to stay protected from such scams."

- Always see the credibility of the people behind crypto projects. Don't trust a new face in the crypto community.
- Check if the currency is liquidity locked; this is one of the easiest ways to differentiate a scam coin from a legitimate cryptocurrency.
- Investors should be careful if a new coin witnesses a sudden rise in the price.
- Check if they have an external audit.

## How To [Recover Funds](#) Lost In Online Scams?

We know losing money in an online scam is never a good experience. Many people are unaware of fund recovery services, so they never try to recover their lost funds. The scammers take this as an advantage and come back to steal more.

A fund recovery company such as Cyber-Forensics.Net provides fund recovery services to victims of online scams who have lost their money. They have the experience to depict how fraud works accurately. They provide tracing software to find where the scammers are now, and sometimes with the help of lawyers and authorities, they may run a honeypot scam to catch the scammers.

Cyber-Forensics inform the public with reports on the company, liaise with authorities, and assist you with your complaint, which is often disjointed before speaking to professionals. They also help victims who have lost their money in forex scams or to forex brokers by providing [forex scam recovery](#) services.

About Cyber-Forensics.Net:

Cyber-Forensics.Net is committed to providing the most accurate tracing service for victims of online scams. Cyber-Forensics.Net empowers and simplifies the process of tracking down the cyber-criminals and assists in recovering the funds and creating an atmosphere for a negotiated settlement. For more information, please visit <https://cyber-forensics.net/>.

Peter Thompson  
Cyber-Forensics.net  
+1 917-920-6613  
[email us here](#)

Visit us on social media:

[Twitter](#)

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