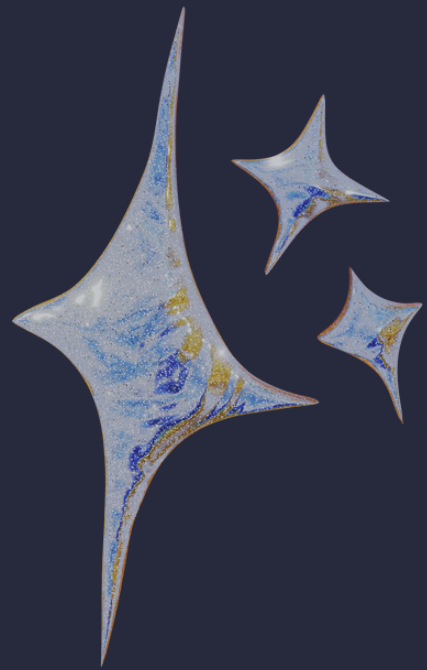




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METaverse AND CRIME ACTIVITY



METaverse

A metaverse is a virtual world where people, shown as avatars, can interact, create experiences, and make virtual objects and places. These worlds have their own money systems, so users can buy, sell, and trade things like digital land and items. You can enter the metaverse using a computer, VR headset, or smartphone.

A crypto metaverse is a virtual world that uses blockchain technology and crypto assets, like metaverse tokens, in its economy. Examples include Decentraland, Cryptovoxels, Alien Worlds, Axie Infinity, and The Sandbox. While online games have had metaverse-like environments for a while, adding blockchain, crypto, and VR is changing who can join and what they can do. It also shows the real-world value of digital assets and experiences. Items like digital land and objects are represented by metaverse tokens, recorded on the blockchain, and can be traded for cryptocurrencies like bitcoin (BTC) and ether (ETH) on decentralized exchanges (DEXs).



VIRTUAL LAND SALES

There are two different kinds of metaverse platforms to buy virtual land on; one is decentralized, meaning these are blockchain-based platforms, and the other type is centralized.

You have two options for purchasing virtual land in the metaverse: through an NFT marketplace or directly on a specific metaverse platform. You can buy land NFTs on platforms like OpenSea by searching for those related to a particular metaverse. Alternatively, you can go directly to a metaverse platform, such as Decentraland Marketplace, to purchase the land NFT there.

Digital real estate operates much like physical property, where supply, demand, and scarcity influence property values. Metaverses provide a limited number of land plots, creating unique investment opportunities.

However, virtual land and other digital assets remain highly speculative and carry increased risks for both newcomers and experienced investors. Therefore, it's essential to conduct thorough research before investing in metaverse real estate.



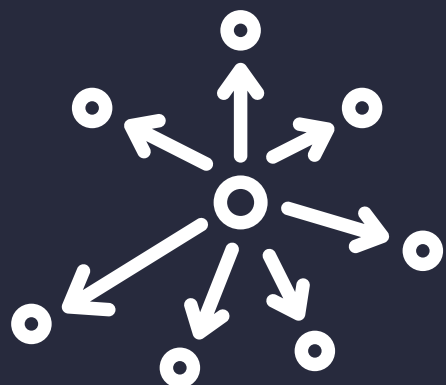
DECENTRALIZED V. CENTRALIZED

In a centralized metaverse, a single organization, such as a corporation, holds total authority over the virtual space. This means they set the rules, oversee user data, and can modify the platform according to their preferences.

A decentralized metaverse seeks to share control among its users, frequently using blockchain technology. This framework enables users to own their assets and participate in governance through structures like Decentralized Autonomous Organizations (DAOs), where they can vote on changes and policies.

The leading metaverse platforms are:

1. Decentraland (decentralized)
2. The Sandbox (decentralized)
3. Axie Infinity (decentralized)
4. Roblox (centralized)
5. Illuvium (decentralized)



FINANCIAL CRIME IN THE METaverse

At present, there are no clear financial crime regulations specifically for the metaverse. The absence of customer due diligence (CDD) and Know Your Customer (KYC) measures means that users are generally less safeguarded in the digital environment. This lack of consensus and unified rules can encourage criminals to engage in illegal activities.

Texas financial regulators instructed the Sands Vegas Casino Club, a metaverse casino, to halt its funding through NFT sales. In their cease-and-desist letter, the Texas State Securities Board (TSSB) cited violations of securities laws as the reason for this action. While Texas, and most other U.S. states, lacks specific laws regulating NFTs, the TSSB is an authority that the metaverse casino must adhere to.

Fraud risks in the metaverse are high due to its lack of regulations. Criminals trick users into trying virtual slot machines, then steal their deposits. For example, fraudsters placed fake deposit terminals over real ones, similar to ATM scams in the real world.



INVESTMENT FRAUD SCHEME

Neil Chandran, from Nevada was arrested on June 29th of 2022 in Los Angeles for allegedly running an investment fraud scheme that defrauded over 10,000 victims out of more than \$45 million. An indictment against him was returned by a federal grand jury in the District of Nebraska on June 14th and was unsealed June 29th in Omaha.

The indictment states that Neil Chandran, 50, from Las Vegas, operated a collection of technology firms which he exploited in a fraudulent scheme, misleading investors with false promises of exceptionally high returns based on the claim that one or more of his companies would deliver such profits.

Chandran faces three charges of wire fraud, and two charges related to engaging in monetary transactions involving illegally obtained funds. If found guilty, he could be sentenced to a maximum of 20 years in prison for each wire fraud charge and up to 10 years for each charge of unlawful monetary transactions.

The indictment claims that 100 assets, including bank accounts, real estate, and 39 luxury Tesla vehicles, are subject to forfeiture as fraud proceeds. U.S. Marshals and the FBI are seizing most of these assets while the criminal case is ongoing.

