An examination of the cryptocurrency pump and dump ecosystem

JT Hamrick, Farhang Rouhi, Arghya Mukherjee, Amir Feder, Neil Gandal, Tyler Moore, and Marie Vasek

Abstract

The surge of interest in cryptocurrencies has been accompanied by a proliferation of fraud. This paper examines pump and dump schemes. The recent explosion of nearly 2,000 cryptocurrencies in an unregulated environment has expanded the scope for abuse. We quantify the scope of cryptocurrency pump and dump schemes on Discord and Telegram, two popular group-messaging platforms. We joined all relevant Telegram and Discord groups/channels and identified thousands of different pumps. Our findings provide the first measure of the scope of such pumps and empirically document important properties of this ecosystem.

1 Introduction

As mainstream finance invests in cryptocurrency assets and as some countries take steps toward legalizing bitcoin as a payment system, it is important to understand how susceptible cryptocurrency markets are to manipulation. This is especially true since cryptocurrency assets are no longer a niche market. The market capitalization of all cryptocurrencies exceeded $800 Billion at the end of 2017. Even after a huge fall in valuations, the market capitalization of these assets remains around $260 billion as of September 2019, which is greater than the $100 billion valuation of the fifth largest U.S. commercial bank/commercial bank holding company, Morgan Stanley and not far from the $400 billion valuation of the largest, JPMorgan Chase.

*Hamrick: University of Tulsa, jth563@utulsa.edu. Rouhi: University of New Mexico, frouhi@unm.edu. Mukherjee: University of Tulsa, arm3606@utulsa.edu. Feder: Technion, amirfeder@mail.tau.ac.il. Gandal: Tel Aviv University, gandal@post.tau.ac.il. Moore: University of Tulsa, tyler-moore@utulsa.edu. Vasek: University College London, m.vasek@ucl.ac.uk.
In this paper, we examine a particular type of price manipulation: the “pump and dump” scheme. These schemes inflate the price of an asset temporarily so a select few can sell at the artificially higher price. In the case of cryptocurrencies, at the beginning of a pump, a signal indicating the currency to buy is transmitted to insiders via a group messaging platform. Ideally, from the standpoint of the pumpers, the coordinated buying increases the trading activity and begins to drive up the price. When outside buyers are attracted and begin making purchases, the price rises further; then the pumpers sell the positions they acquired previously at lower prices.

Pump-and-dump schemes are not a new phenomenon. In the case of stocks, pump and dump schemes primarily focus on penny stocks with low trading volume. Pump and dump schemes involving stocks are typically isolated episodes conducted quietly away from the spotlight. So what is different about cryptocurrencies? Several attributes have yielded a robust pump and dump ecosystem at unprecedented scale:

- New social media/technology: Pump-and-dump schemes have proliferated on a common public medium: Telegram. Telegram is a cloud-based instant messaging service using Voice over Internet Protocol (VoIP). Users can send messages and exchange files of any type. Messages can be sent to other users individually or to groups of up to 100,000 members. As of March 2018, Telegram had 200 million active users. Pumps also occurred on Discord, a platform with similar characteristics to Telegram.

- Low cost: The majority of pumps occur on Telegram channels, which are easy to form and free to join. Channel members are potential participants in pump and dump schemes.

- Many cryptocurrencies: The explosion of cryptocurrencies have created myriad opportunities for exploitation. Most are thinly traded, creating favorable conditions for pumpers.

- Many trading platforms: There has been a proliferation of cryptocurrency exchanges that enable unregulated trade between coins. Exchanges profit from the transaction fees resulting from pumps.

- Regulators (so far) have mostly taken a hands-off approach.
These conditions led to an explosion of cryptocurrency pump and dump schemes.

The data collection required for the analysis was substantial. Pump data was gathered by collecting messages posted to hundreds of dedicated Discord and Telegram channels using their APIs and manually labeling messages that signaled pumps. In order to obtain the data, we had to join scores of channels on Discord and Telegram and manually process their communication. We describe this process in detail in the body of the paper.

We then collected price data on nearly 2,000 coins across 220 cryptocurrency trading exchanges from coinmarketcap.com, the leading website of aggregated data on cryptocurrency trading during the six month period from January to June 2018. The price data is captured at the finest granularity presented by coinmarketcap.com at the time of collection, namely 5-minute intervals. Finally, we merged these two data sets in order to conduct the analysis.

Overall, we identified thousands of pump and dump schemes on Discord and Telegram that took place during six month period from January to June 2018. This provides the first measure of the scope of pump and dump schemes involving cryptocurrencies and indicates that the phenomenon is widespread.

In this paper, we will examine some of the properties of this ecosystem and its dynamics over time. Because we have managed to find and identify virtually every pump and dump during a six month period (from January – June 2018), we are in a unique position to shed light on how this illegal ecosystem functions on the Internet. Such an analysis can help regulators, as we describe below.

We first describe in detail how the pumps work in the cryptocurrency realm and quantify the extent of the phenomenon. We next measure the “success” (or profitability\(^1\)) of the schemes, which we define to be the percentage increase in the price following a pump.

We then examine what happened to the profitability or “success over time. For reasons we discuss in the paper, economic theory suggests that the cryptocurrency “pump and dump” ecosystem would not succeed over time. Our dynamic data over time allow us to examine this thesis empirically, that is, to examine whether profitability declined over time.

The dynamic data also enable us to examine other key questions about the

\(^1\)Obviously, this measure does not capture total profits made by those involved. We do not have data on individual trades. The measure does, however, capture the maximum potential profit to insiders.
ecosystem: (I) Was the ecosystem dominated by a few channels (running a lot of pumps) or were there many active channels? (II) Did pumps occur on many exchanges or just a few? (III) Were coins pumped repeatedly? (IV) Did regulators take any actions over time? If so, were these actions effective?

We find that even after controlling for other factors that affect pump and dump success, success falls over time, with a steep drop-off near the end of the period for which we have data. This provides support for the thesis that these schemes would become less profitable over time.

In our formal analysis, the most important variable in explaining success of the pump is the ranking of the coin. The median price increase was 3.5% (4.8%) for pumps on Discord (Telegram) using the top 75 coins; it was 23% (19%) on Discord (Telegram) for coins ranked over 500.

We also examined the ecosystem in detail and (perhaps surprisingly) found high levels of concentration in both exchanges employed for pumps and channels involved in running the pumps. The cryptocurrency pump and dump ecosystem gives us a sense what financial markets might be like without regulation.

Given these findings, regulators could perhaps diminish the pump and dump scheme ecosystem by focusing on the small number of exchanges and “pump” channels where activity is most prevalent. It is not necessary to examine hundreds of channels and exchanges.

The road map for the paper is as follows. In the remainder of this section, we provide background information and review the literature. Section provides a detailed description of the methodology and how we collected the data. In section we describe the ecosystem and examine it descriptively. Section 4 presents our analysis, while section 5 provides and discusses our results. Section 6 briefly concludes with thoughts about regulatory policy.

1.1 Background

History of the Cryptocurrency Market  Bitcoin (BTC), the first cryptocurrency, was founded in 2009. While the market took off slowly, a massive spike in the price of bitcoin in late 2013 led to wider interest in what had been until then a niche industry. The value of Bitcoin increased from around $150 in mid 2013 to over $1,000 in late 2013. The fall was dramatic as well and bitcoin fell to $400 in a very
short period of time. Despite the dramatic fall, cryptocurrencies were on the map and massive entry (as well as non-trivial exit) has occurred in the industry during the last five years.

While Bitcoin dominated the market through most of the 2009-2016 period, in 2013, a few other cryptocurrencies competed with Bitcoin. These coins began appreciating much more quickly than Bitcoin during the price rise. Gandal et al. analyzed how network effects affected competition in the cryptocurrency market during the price spike and subsequent fall in the price of Bitcoin [3]. Their analysis suggests that there were strong network effects and winner-take-all dynamics following the fall in the price of Bitcoin in early 2014. From July 2014 to February 2016, Bitcoin’s value was essentially constant against the USD, while the other currencies depreciated dramatically against the USD. Litecoin, the number two coin in the market, declined by 70% in value, while other “main” coins declined by more than 90% in value. In early 2016, Bitcoin accounted for 94% of the total market capitalization, while Litecoin (the number two cryptocurrency) accounted for 2%. Despite its shortcomings, Bitcoin had emerged at that point as the clear winner and beneficiary of network effects.

In 2017, things changed dramatically. Bitcoin began rising again and by early 2017, the value of bitcoin was again more than $1,000. It had taken more than three years for the value of bitcoin to return to the 2013 peak level, but that was only the beginning. Eventually, in December 2017, Bitcoin reached a peak of more than $19,000 before plummeting over the next few months to $6,000.

The market capitalization of cryptocurrency grew stunningly in the past few years. In February 2014, the market capitalization of all cryptocurrencies was approximately $14 Billion. In January 2018, near Bitcoin’s peak, the total market capitalization reached $825 Billion. As of February 2019, total market capitalization is approximately $132 billion.

In February 2018, there were 715 cryptocurrencies with market capitalization between $1 million and $100 million. In January 2014, there were less than 30 coins with market capitalization between $1 million and $100 million. This sharp four year rise in high-valued coins raises concerns of an increased potential for price manipulation.

As of February 2019, there are 751 such coins.

Electronic copy available at: https://ssrn.com/abstract=3303365
The Larger Picture  Cryptocurrency manipulations tie in to a concern over trading in unregulated financial exchanges. The potential for manipulation in the Over-the-Counter (OTC) markets is a significant concern for financial regulators. OTC trading is conducted directly between two parties, without going through a stock exchange. In a recent white paper, the SEC noted that “OTC stocks are also frequent targets of market manipulation by fraudsters.”[5] The U.S. Securities and Exchange Commission (SEC) report also documents that OTC trading has increased significantly over time.6

Pump and dump schemes were outlawed in the 1930s. Nevertheless, the practice has continued. In the early 1990s the brokerage Stratton Oakmont artificially increased the price of “penny” stocks it owned by creating a “hype” around the stock. Once the price rose, the firm sold its shares in the relevant holding. The founder of Stratton Oakmont, Jordan Belfort, was convicted for securities fraud.

The U.S. SEC actively prosecutes pump and dump cases using publicly traded stocks. Such schemes involving cryptocurrencies are not any different. However, regulators have yet to prosecute pump and dumps involving cryptocurrencies. With the exception of insuring that taxes are paid on cryptocurrency profits and individual state-based regulation, US regulatory policy towards cryptocurrencies and initial coin offerings (ICOs) has been generally been “hands-off.” One problem in moving forward in the regulatory sphere is that – unlike stocks, commodities, or fiat currency – cryptocurrencies do not have a regulatory agency in charge of all cryptocurrency policy.

Technologies like Telegram and Discord allow people to easily coordinate such schemes. Telegram is a cloud-based instant messaging service and uses Voice over Internet Protocol (VoIP). Users can send messages and exchange photos, videos, stickers, audio and files of any type. Messages can be sent to other users individually or to groups of up to 100,000 members. As of March 2018, Telegram had 200 million active users. Discord has similar capabilities and had 150 million users as of August 2018.

Discord and Telegram are primary sources for cryptocurrency pumps and have

---


[6] In 2008 around 16 percent of U.S. stock trades were of the OTC type. By 2014, OTC trades accounted for 40 percent of all stock trades in the US. Like cryptocurrency trading, OTC trades are not transparent and not regulated, and there is concern that such trading is more harmful than high-frequency trading via regulated exchanges – See [12].
been used for pump and dump schemes on a large scale. Perhaps because of the regulatory vacuum, some of the pump groups do not hide their goals.

1.2 Literature Review

The academic literature on price manipulation and pump and dump schemes involving stocks includes Aggarwal and Wu [1]. They examined SEC litigation against market manipulators in OTC markets. They find stocks with low volume are subject to manipulation. They find that stock prices, volume, and volatility increase during the pump and dump scheme, but end quickly once it is over. They write that while manipulative activities have declined on main exchanges, it is still a serious issue in the over-the-counter (OTC) market in the United States.

Massoud et al. [11] studied OTC companies that hire promoters to engage in secret stock promotions to increase their stock price and trading volume. They find that the “promotions,” or informal pump and dump schemes, coincide with trading by insiders. Brüggemann et al. [2] show that OTC stocks have lower levels of liquidity than a matched sample of similar NASDAQ listed stocks.

**Cryptocurrency Price Manipulation** Krafft et al. [8] created bots that executed penny trades in 217 different cryptocurrency markets. While their intent was not to incite bubble-type behavior, their bots created large price swings in the individual currencies after very small purchases.

Gandal et al. [4] identify and analyze the impact of suspicious trading activity on the Mt. Gox Bitcoin currency exchange, in which approximately 600,000 bitcoins (BTC) valued at $188 million were fraudulently acquired. They find that the USD-BTC exchange rate rose by an average of four percent on days when suspicious trades took place, compared to a slight decline on days without suspicious activity. They conclude that the suspicious trading activity by the Mt. Gox exchange itself likely caused the unprecedented spike in the USD-BTC exchange rate in late 2013, when the rate jumped from around $150 to more than $1,000 in two months.

A June 2018 working paper examined whether Tether, a digital cryptocurrency that is pegged to USD, affected the price of Bitcoin and other cryptocurrency prices during the huge increase in cryptocurrency valuations in 2017 [6]. Since they do not have data on which accounts initiated trades, they use algorithms to analyze blockchain data. They find that purchases with Tether occur following falls in Bitcoin prices and that the Tether purchases led to subsequent price rises in Bitcoin.
(and other cryptocurrency) prices. In particular, they find that short periods with especially heavy Tether trading volume are associated with “50 percent of the meteoric rise in Bitcoin and 64 percent of other top cryptocurrencies.” They conclude that these purchases cannot be explained by investor demand, but that they are consistent with the hypothesis that Tether was used to provide price support and manipulate cryptocurrency prices.

Other researchers have studied financial fraud using cryptocurrencies. In two separate studies, Vasek and Moore [16, 17] researched online Ponzi schemes using cryptocurrencies. They measured millions of dollars reaped in by Ponzi scheme runners. Furthermore, they found that the most successful scams depend on large contributions from a very small number of victims. They then investigated Ponzi schemes advertised on the Bitcoin forum and the ecosystem that perpetuates them. Similar to our work, they mine information from the large social ecosystem around the cryptocurrency fraud they investigated.

Our work is quite different from the existing research on price manipulations; to the best of our knowledge, this is the first study to assess the scope of pump and dump schemes involving cryptocurrencies. We are also the first to examine which factors affect the “success” of pumps, where success means a large percentage increase in price.

Four other (essentially) concurrent papers also examine pump and dump schemes on cryptocurrencies, but with a different emphasis. Kamps and Kleinberg [7] use market data to identify suspected pump and dumps based on sudden price and volume spikes (and the following sharp decreases). They evaluate the accuracy of their predictions using a small sample of manually identified pump signals. Employing a similar approach with a different dataset, Mirtaheri et al. [13] use data collected from Twitter on cryptocurrencies cross-referenced with pump signal data from Telegram and market data. They note that a lot of the tweets are automated and attempt to predict pumps using only the Twitter traffic. Xu and Livshits [18] use data on just over 200 pump signals to build a model to predict which coins will be pumped. Their model distinguishes between highly successful pumps and all other trading activity on the exchange. Li et al. [9] use a difference-in-difference model to show that pump and dumps lower the trading price of affected coins[7].

---

[7] There have been media articles about the pump and dump phenomenon as well. Mac reported on pump and dump schemes in a Buzzfeed article published in January 2018 [10]. This was followed by work by Shifflet and Vigna [15] in a Wall Street Journal article published in August 2018.
Our work is different from these papers in several important ways. First, we have collected many more pump signals from channels on Discord and Telegram and evaluate them all, without restricting ourselves to the successful pumps. Our goal was to the extent possible to reach all pump and dump schemes on Discord and Telegram. Second, we investigate reported pumps for all coins with public trading data, not only those taking place at selected exchanges. This enables us to incorporate ecosystem-wide explanatory variables such as the number of exchanges on which a coin is traded on, the rank of the coin, etc., in order to assess what makes a pump and dump scheme successful.

2 Methodology

In this section, we discuss the methodology we used to collect the data on pump signals from social media and public messaging sources, as well as how we gathered pricing data and measured pump success.

2.1 Pump Signals Data from Discord and Telegram

Collecting Pump Signals  Our objective was to collect as many pump signals as possible from all channels in these platforms. These platforms are the main outlets for pump and dump schemes.

A pump signal is an announcement to encourage people to buy a cryptocurrency and then take advantage of the price manipulation created by the surge in purchasing. The first step in collecting this data was to become familiar with the Discord and Telegram applications.

We programmatically scraped Discord and Telegram channels about pump and dumps using their respective APIs. We started our collection with URLs from a bitcointalk page on Discord pump groups: \url{https://bitcointalk.org/index.php?topic=2887116.0}. We then inspected all groups with over 4,000 users from an Android app that tracks the popularity of pump and dump groups (\url{https://padl.mine.nu/}). Afterward, we filtered the data based on keywords chosen specifically for each channel based on their posting patterns. This required a huge effort because communications/language on the channels were not uniform. We then manually inspected the filtered data and verified whether the post actually described an attempted pump or not, recording those that appeared to be pump signals. We parsed any additional channels that we learned about from a particular
channel, adding them to our database. We are confident that we managed to get to most of the relevant channels.

With Discord, people join the servers. Individual channels/groups are associated with servers. The main purpose of the channels is to organize data, and any member of a server has access to all channels in that server. Thus, in the case of Discord, we were able to collect data on the number of members that belong to a specific server. It is not specific to a particular pump, since servers contain many channels; it essentially measures the potential market for participating on pump schemes promoted on channels on that server. Telegram is a cloud-based service where individual channels are set up by individual operators and hosted on Telegram’s infrastructure. Hence, there is no analogous variable to number of members that belong to a specific server in the Telegram data.

We joined as many cryptocurrency-related channels as possible on both Discord and Telegram. The main challenge is that the only way to join many channels is by invitation. Another challenge is to make sure that an announcement is actually a pump signal. We systematically ignored a few types of posts. We did not consider posts about users predicting the future prices of the coins. We also ignored signals coins to “hodl” coins, which is a cryptocurrency meme for holding on to coins for a long period of time. Since “hodl”-ing is antithetical to the short term pump and dumps, we ignored these. We ignored channels with very few members. From the conversations between members of these unpopular channels, it became clear that even the few members do not actually participate in the pumps.

After painstakingly going through the channels, we discovered that several patterns are repeated in the pump and dump channels. Based on these patterns, we learned how the pumps worked and were able to characterize the channels into three broad categories.

**Obvious Pumps** The first category was the most straightforward to identify. These channels used the words “pump” and “dump” everywhere, including in the name of their channels. They usually had only a few pump announcements, and

---

We started collecting Discord data in June 2018 and Telegram data in September 2018. We collected data on a weekly basis until February 2019. Note that whenever we collected data, we collected all of the historical data that was available. Discord groups were much more likely to delete historical data than Telegram channels. We slowly lost access to many of channels over time because we were kicked out, the channel was removed, or the channel became private. Consequently, for this paper we have focused on the time periods on or before data collection began and during which we had good coverage of data from both Telegram and Discord.
they posted pump signals infrequently. They usually posted the first announcement between 24 to 48 hours before the pump. Then, they posted many other announcements about timing and the cryptocurrency exchange where the pump would occur. When the time of pump came, they posted the name of the coin. They usually posted the pump results a few hours afterward, along with the date of the next pump. In many cases, they posted the name of the coin in an image. In other cases, they gave many coin names with a check mark in front of the actual coin being pumped. This was likely done to combat automated scraping of the coin name.

These channels usually had premium membership as well. The premium membership was based on how many people a person had recruited to the channel. Users could also buy premium membership plans. Based on the type of plans, premium members would receive the pump signals a certain amount of time before others. A concept that these groups frequently used is known as a “collaboration pump.” A collaboration pump means that many different channels post the same coin at the same time to increase the trading volume. These pump signals were not posted by channel owners. They were posted by bots. Since these signals were repeated many times in many channels, we tracked them to avoid having more than one copy of the same signal. “Obvious pumps” accounted for 27 Discord groups (with 139 corresponding pump signals) and 12 Telegram channels (with 565 corresponding pump signals).

**Target Pumps** The second category was not as brazen as the first category. These channels usually avoided the words “pump” and “dump”. The main concern that was reflected in their chatrooms was that members were not sure if pump and dump was legal, so they avoided using the name. They had many more pump signals than the first category. They posted the name of the coin and the current price, without any previous announcement. They usually announced the exchange for the pump as well. They also gave target prices asking participants to sell at any of these prices, but not lower than them. In many cases, they also gave some news about the coin. These channels typically did not have premium membership option. However, some of the these channels required payment for membership. These channels usually posted the same signals a certain amount of time before the freely available channels.

The main challenge for us in this category was to make sure the announcements were actually pump announcements. These channels typically had lots of members.
The first indicator was that they had another channel where they talked about the pump results and thanked members for participation. The other indicator was that they did not use any technical analysis or technical indicators to analyze the market. Further, they tried to convince people to buy the coin and participate. “Target pumps” accounted for 24 Discord groups (with 543 pumps) and 13 Telegram channels (with 4,159 pumps).

**Copied Pumps** The third category was copied the signals from other sources. Although they usually posted the signals hours after the pump, they included the actual time that a pump was published. They also included the source of that pump. We preferred not to use these signals, because we wanted to collect our data from primary sources. We used these channels to ensure complete coverage, i.e., to find the pump sources and follow them. We included them in the analysis when we could not get access to the source channels. This was an important source since copied pumps accounted for 4 Discord groups with 514 associated pump signals not found elsewhere. There are no Telegram pumps in this category because of the complete overlap between these Telegram groups and other signals already collected.

Although most of the copied pumps were from other Discord channels, approximately five percent of our Discord data overlaps with our data from Telegram. We include the copied pumps for completeness, but our results are qualitatively unchanged if we remove the small number of these copied pumps from the Discord analysis.

**Summary of Pump Signals** In the case of Telegram, 88 percent of the signals were target pumps and 12 percent were obvious pumps. In the case of Discord, 42 percent of the signals were target pumps, 40 percent of the signals were copied pumps, and 11 percent were obvious pumps. Thus more than 10 percent of the pumps were blatant and unconcerned about any regulatory actions.

**2.2 Observations on Pump Organizer Behaviors**

In the process of collecting the data, we learned quite a bit about how the organizers of cryptocurrency pumps and dumps operate and which exchanges the are used in the schemes. Here we provide a brief summary of what we found.
**Pump Promotion**  When channels begin operating, they usually have a small number of members. Thus, they cannot schedule their own pumps. Some of these channels wait until they reach a certain number of members, and then start publishing pump signals. However, this can be a long wait for them, because not many people tend to join such inactive groups. Thus, most of these groups try to start by copying pump signals originally published by other channels. Some of them later move to organizing their own pumps and we categorize them based on the time in which we join the group and the amount of pump signal overlap.

Pump group organizers have two basic strategies to promote coins: “news” and “science.” News strategies use rumors purported as news, almost always later found out to be false information. These rumors often were ill-defined; a common message before a pumping a coin is “heard good news is coming soon.” Sometimes this is made marginally more specific, like from the user ADA_All_The_Way on the Pure Investments channel: “Heard some big news coming in April for Ada.” Others referenced rumors from other platforms (for example, a message from the Crypto Cartel Original channel reads: “ETC undervalued. [https://twitter.com/eth_classic/status/950546415394029568/photo/1](https://twitter.com/eth_classic/status/950546415394029568/photo/1)."

Further, some pump organizers used more “scientific” measures. They would post graphs of the price of a currency and strategize about when would be optimal to pump. They also would also use algorithmic methods to spot dips in price for coins, and advocating buying after the price hits a target low.

**Cryptocurrency Exchange Selection**  Participants usually try to focus their trading on one exchange to maximize the effect of the pump. Often the name of the exchange is published hours before the actual pump. Features that influence exchange selection include popularity, coin availability, chatroom ability, registration information required, and accessibility.

Many of these channels use a voting system to identify the exchange preferred by users. Choosing a popular channel is also helpful for promoting pumps on social media platforms to attract outside traders. The more popular the exchange, the more of these outsiders will end up trading in that exchange. The only exception is the smaller pump and dump channels. These groups know that they cannot induce as many purchases, which makes influencing prices more difficult. In these cases, the channels might decide to target a smaller and less popular exchange. Even in these cases, the channels employ a voting strategy, letting their member choose among
smaller exchanges.

An additional consideration is where the pumped coin is traded. Not all exchanges support less frequently traded coins. Exchanges that support many low volume coins include Binance, HitBTC and Cryptopia. These exchanges are frequently chosen by pumpers.

Another important factor is the availability and popularity of the chatroom of each exchange. Pumpers promote their activities on the exchange’s chatroom to attract outsiders. Many exchanges provide such chatrooms on their websites, while others rely on social media platforms. The more popular the chatroom, the more outsiders are exposed to the pump.

A final consideration is accessibility. Many cryptocurrency exchanges limit the countries in which they operate, and they often require extensive information in order to register, trade, or withdraw funds. Discord is based in North America and most of its users are Americans. This could explain why Poloniex, which requires a US social security number for registration, is a preferred trading platform for pumps on Discord but is only rarely used by pumps promoted on Telegram. On the other hand, Telegram users tend to be more international. So, BitMEX, which is restricted in North America, is a relatively popular choice among pump groups using Telegram, but not Discord.

2.3 Pricing Data on Cryptocurrencies

We collected price data on nearly 2,000 coins and tokens (henceforth referred to as coins) across 220 exchanges as reported to coinmarketcap.com, the leading website of aggregated data on cryptocurrency trading. We collected all price data for each of the coins listed on coinmarketcap.com from January through June 2018. This gave us a total of 316,244,976 collective volume and price data points across all of the coins listed. The data points collected are at the finest granularity presented by coinmarketcap.com at the time of collection, a 5-minute interval.

We realize there are limitations to this method of data collection. For instance, coinmarketcap.com does not list every coin or token available for purchase or trade. Further, this data is slightly different than what one would be able to collect from an exchange API. Since the website is collecting data from so many sources, it reports a volume weighted average of all of the prices reported at each exchange to calculate the price it reports. On the plus side, this approach is more comprehensive in the number of exchanges and coins covered.

14
Every internet service experiences outages planned or otherwise; the services we are interested in are no exception to the rule. During the initial data exploration phase, gaps in the data were discovered. To make sure these gaps were recorded in the data and not a result of our collection efforts, we programmatically check the data for proper intervals. If a gap exists in the data that spans a time period equal to or greater than 7.5 minutes, we report that data point as missing. We chose 7.5 minutes because of the 5 minute average interval in the data collected. After iterating through the timeline of each of the coins, we create an hour long window surrounding the missing data points and query coinmarketcap.com for that data. If the gap persists after the additional data collection, we surmise it is because of an outage either due to the exchange or coinmarketcap.com. In total we are missing approximately 3,806,474 volume and price records across all of the coins, or approximately 1% of the data.

Matching Discord/Telegram Information with Trading Data For the purpose of our study, it was essential to ensure a consistent mapping between what is announced in the pump signal to what is associated with the trading data. In particular, pump signals are by no means consistent when it comes to the coin names used in the messages. Some users refer only to the coin ticker such as DOGE, which is the ticker for Dogecoin. This can be a bad idea as several cryptocurrencies employ identical tickers (being decentralized, there is no equivalent to NYSE or NASDAQ to enforce the uniqueness of ticker symbols). Others use the full coin or token name, but that can be problematic because many coins have similar names. For instance, the cryptocurrency IOTA has the ticker MIOTA; the coin name is similar to the ticker for IoTex, which is IOTX. Still others use some combination of the ticker and full or partial name. For example, “Bitcoin (B)CD)” refers to Bitcoin Diamond and not Bitcoin as the ticker for Bitcoin is BTC and not BCD.

We normalized reports to the name used by coinmarketcap.com. To do this, we created a name map that contains several variations of the actual cryptocurrency name based on our observations. We then removed special characters from the names reported in Discord and performed a case insensitive comparison to the map we created. If a match was found, we replaced the pump name with a clean version that matches the name elsewhere in our data. Some of the names required manual replacement since cryptocurrencies have the ability to rebrand. In this way, we were able to map 952 of the Discord pump signals and 2,649 of the Telegram pump signals.
to more than 300 cryptocurrencies.

**Identifying Pump Timing and Success** Throughout the processes of aggregating, combining, and cleaning the data, it became increasingly apparent that we could not reliably use the time of a pump signal to mark the beginning of a period of anomalous trading activity.

Hence, instead of taking the pump signal time as given, we treat it as the starting point to identify associated spikes in trading activity. We inspect 48 hours before and after the time of the reported signal to find the maximum percentage jump between two consecutive price data points (typically spaced 5 minutes apart).

In the data analysis described in the next section, we use this maximum 5-minute percentage increase in this 96 hour period in the coin’s price relative to BTC as our measure of pump success.

### 2.4 Data Summary

The Discord and Telegram data span the six month period from January to June 2018. A small number of observations were duplicates in the sense that they involved the same coin on the same day and roughly at the same time (within an hour) on the same exchanges. We eliminated the duplicates, but the results are qualitatively unchanged if we include them. Once we eliminate the duplicate observations and a few observations for which we did not have complete data, we are left with 952 observations with complete data on Discord and 2,469 observations with complete data on Telegram. This gives a sense of the scope of the pump and dump phenomenon on these platforms.

We find that ten percent of the pumps on Telegram (Discord) increased the price by more than 18 percent (11 percent) in just five minutes. Recall that the January-June 2018 period was a period in which cryptocurrency prices were falling,

---

9We have more total pumps than that, but approximately 5% do not have complete data and cannot be used in the analysis.

10This may be because “insiders,” i.e., those running the pump, strategically purchase before the agreed upon time. This is consistent with the other work in this area. [7] noticed that pumps sometimes occurred exactly when a signal was put out and other times occurred afterwards. [9] collected more pump signal information than [7] and observed the same effect. [18] collected hourly market data, and found that the markets move as much as 72 hours before an announced pump.

11It is possible that there are a small number of pumps that occur both on Telegram and Discord, primarily in May 2018. This is not a problem since we analyze the Discord and Telegram data separately. (We do this because some of the variables are not available for both of the platforms.) Our results are robust to eliminating these potential duplicates.
significantly; hence “moderate” percentage increases were an achievement for the pump.

3 Informal Analysis of the Ecosystem

3.1 A Bit of Theory...

Economic theory suggests that the cryptocurrency “pump and dump” ecosystem would not succeed over time for the following reasons:

- Pump and dump schemes need outside investors to succeed. The idea is that the initial surge in volume attracts additional traders. Such (honest) traders in cryptocurrencies would learn how to recognize pump and dumps and adjust their strategies accordingly, so as not to fall prey to the schemes. It has been documented in the literature that it is fairly straightforward to adjust investment strategies to account for cryptocurrency pump and dumps.

- Many insider members of the pump and dump schemes actually lose money. This is because, as has been documented, administrators/insiders of the schemes typically make purchases before the “beginning time of the pump. This would make it less attractive to participate over time.

- Regulators might begin to react if the phenomenon becomes prolific. A few pump and dump schemes will not have an effect on regulatory policy, but hundreds or thousands of pumps might eventually lead regulators to act.

3.2 Dynamics over time in the ecosystem

Our dynamic dataset allows us to examine whether profitability has in fact declined over time. From our data, the median profitability of the pumps go down over time for the six months we have data (January to June 2018.) This is true both for Telegram and for Discord. See Table 8. The decline is steep on both platforms: On Telegram profitability was essentially 50% lower on average in June than in January. In the case of Discord, profitability was essentially 60% lower on average in June than in January.

12 In the formal analysis, we run regressions. The regression results show that even after controlling for other factors that affect pump and dump success, success falls over time, with a steep drop-off near the end of the period for which we have data.
While we cannot definitively answer the interesting question whether this decline in profitability reduced pumps over time, it is interesting to note the following: “Google Trends” data suggest that interest in pump and dump schemes took off during the increase in bitcoin’s massive increase in price in late 2017 and declined sharply after June 2018. See Figure 1 in the Appendix. While we do not want to push this point, it does provide some support for a decline in the cryptocurrency pump and dump phenomenon, which is consistent with declining profits over time.

### 3.3 Concentration in the Ecosystem

The data also enable us to examine other key questions about the ecosystem: (I) Was the ecosystem dominated by a few channels (running a lot of pumps) or were there many active channels? (II) Did pumps occur on many exchanges or just a few? (III) Were coins pumped repeatedly? We (perhaps surprisingly) find high levels of concentration in both exchanges employed for pumps and channels involved in running the pumps.

- **Cryptocurrency Exchanges:** From our data, Binance and Bittrex were by far the most popular exchanges for pump and dump schemes. Binance and Bitfinex together accounted for 86% (87%) of the pumps for pumps that listed/recommended an exchange on Telegram (Discord). During this period and afterwards, Binance was the largest cryptocurrency exchange, by trading volume, and Bittrex had large trading volume as well. Both exchanges offer trading in hundreds of cryptocurrencies, which likely made them attractive to organizers of the pump and dumps.

- **The perceived wisdom was that there were many channels running pumps. It turns out that, like exchanges, this aspect of the ecosystem was highly concentrated as well. Three channels accounted for roughly 45 percent of all the pumps on Telegram during the period we analyze.**

- **Additionally, twenty-three coins were pumped 18 or more times (thus on average, these coins were pumped at least three times a month during the six month period.). These twenty-three coins accounted for more than 20% of all**

---

13 It was not possible to collect detailed information after the period for which we have data, since pump channels removed us from the groups.
14 It is well known that interest in bitcoin in Google trends data is very highly correlated with the price of bitcoin.
pumps during that period on Telegram. Similarly on Discord, the top 20 coins accounted for 28 percent of the pumps. Again, this suggests a concentrated industry. This information should be helpful to regulators.

4 Analysis

Here we examine whether declining profitability over time holds when controlling for various other factors such as the rank of the coin. An additional and important part of the analysis here is to examine what factors explain the success of the pump and dump scheme, where success means that the pump increased the price significantly.

4.1 Dependent Variable

We employ the maximum % price increase (as described above) in the 48 hours preceding and following the pump as the dependent variable. We denote this variable as % Price Increase. Most of the cryptocurrencies cannot be directly traded with USD, but they can be traded with bitcoin. Hence, we use coin prices in bitcoin.15

4.2 Independent Variables

We have the following independent variables.

- Exchanges: the number of exchanges on which the coin can be traded. We measured this variable twice: once at the end of 2017 and once in September 2018. The correlations are above 0.99 and the results are unchanged regardless which date we choose. The 2018 variable has more observations, so we use that one.

- Rank: the rank of the coin in terms of market capitalization. Bitcoin is #1. Coins with higher rank have lower market capitalization.

- Pair Count: the number of other coins that the coin can be traded with.16

15Because of this, we cannot include the pumps using bitcoin itself. There were 6 pumps of bitcoin on Discord and 76 pumps of bitcoin on Telegram. While these pumps account for a small percentage of all pumps, it is interesting to note that even bitcoin is not immune from the pump and dump phenomenon.

16Similar to exchanges, we measured this variable twice, once at the end of 2017 and once in September 2018. The correlations are above 0.99 and the results are unchanged regardless which date we choose. The 2018 variable has more observations, so we use that one.
• Server-Member-Count (Discord Only): the number of members that belong to a server (which is not specific to a particular pump). This variable essentially measures the potential market for participating on pump schemes promoted on that server.

• Views: (Telegram only) Number of views per pump\textsuperscript{17}

• Dummy variables for February, March, April, May and June 2018.

• Dummy variables for Binance-only, Bittrex-only, and Binance-Bittrex. A non-trivial portion of the pumps were on both exchanges. In that case, Binance-Bittrex takes on the value one.

• other-exchange takes on the variable one when the pump lists an exchange other than Binance or Bittrex.

• no-exchange is a dummy variable that on the value one if no exchange was listed in the pump.

Descriptive statistics for all variables used in the analysis appear in Table\textsuperscript{1} and Table\textsuperscript{2}

These table shows that in the case of Telegram (Discord), 45 percent (50 percent) of the pumps occurred on either Binance, Bittrex, or both and 48 percent (46 percent) occurred without an exchange listed.

Table\textsuperscript{3} groups coins by popularity. In Table\textsuperscript{3} the entry \# of coins represents the number of coins in that category that were pumped. Thus in the first row, 52 of the top 75 coins were pumped on Discord; this represents 69% of these coins. In the same row, there were 348 such pumps involving coins in the top 75, and the average percent increase from these pumps was 3.5%. Table\textsuperscript{3} shows that while many of the pumps involve coins with light trading and low market capitalization (similar to penny stocks), pumps are not limited to obscure coins. Coins with greater market caps experience smaller spikes in prices: the median price increase is between 3.5-4.8% for the top 75 coins, compared to 19–23% for coins ranked over 500. See Table\textsuperscript{3} for the full breakdown.

\textsuperscript{17}With the possible exception of views, all of these variables are clearly exogenous to the pump. We think that views is essentially exogenous as well. Results are unchanged if we do not include views in the analysis
The pumping of more “mainstream” coins may be because it is not always easy to pump obscure coins that are traded on a small number of exchanges. Additionally, there is less volatility in mainstream coins, and some “investors” (pumpers) may have preferred a relatively lower risk level.

Overall, in the case of Discord data, the median (mean) percentage price increase was 3.5% (7.4%), while the 75th percentile of the distribution was 6.3%. In the case of Telegram data, the median (mean) percentage price increase was 5.1% (9.8%), while the 75th percentile of the distribution was 9.2%. Recall that the January–June 2018 period was a period in which cryptocurrency prices and trading volume were falling significantly; hence “moderate” percentage increases were an achievement for the pump.

From the above discussion, it is not surprising that the coin rank is the independent variable that is most highly correlated with the percent price increase of the pump, both on Discord (0.48) and Telegram (0.35.). The correlations among the variables are shown in Table 4 and Table 5. As Table 4 and Table 5 show, the correlations are similar across the Discord and Telegram platforms.

In the regressions in Table 6, we use the percentage price increase as the dependent variable. Because the variables in the analysis are skewed, we run a log/log OLS regression using the natural logarithm of the variables, both the dependent variable and the independent variables. We employ clustered standard errors at the level of the coin, since many of the coins appear more than once in the data set.

5 Formal Regression Results

5.1 Explaining Success in Increasing Price

Our regression results (see Table 6) are as follows:

- In the case of Telegram, the log/log regression has an adjusted R-squared of 0.32 versus 0.30 for Discord.

- The ranking of the coin is positively associated with success for both Discord and Telegram. This effect is highly significant in both cases.

\[^{18}\text{Not surprisingly, the log/log regression has much higher explanatory power (in the sense that it has a much higher adjusted R-squared) than either a log/linear or linear/linear specification. This is true both for Discord and Telegram.}\]

\[^{19}\text{Recall that higher rank means more obscure.}\]
with lower market capitalization typically have lower average volume. Lower average volume gives the pump scheme a greater likelihood of success.

- The number of exchanges on which the coin can be traded is negatively associated with success and the effect is statistically significant for both Discord and Telegram. This makes intuitive sense, because with fewer exchanges, pump schemes have better control over the total volume of the coin.

- The number of other coins that the coin can be traded with is positive and statistically associated with success in the case of Discord. In the case of Telegram, the estimated coefficient is positive but is insignificant. One possibility is that more trading pairs allow greater flexibility for those involved in the pumps.

- In the case of Discord, the estimated coefficient on the variable “Server Member Count” is negative, but not significant. In the case of Telegram, the variable “Views” is negatively associated with success and the effect is statistically significant. Although we do not push this, one possible interpretation is that it is hard to coordinate if there are too many people potentially involved in the pump.

- Pumps on Binance and Bittrex do worse than pumps not on those exchanges. It might be that, since these are dominant exchanges, more people are involved in the pumps and coordination is more difficult.

- Perhaps most importantly, the declining “success” rate over time, as shown by the negative coefficients on the monthly dummy variables holds, even after controlling for the other factors. In both Telegram and Discord, the estimated coefficients associated with April, May and June are statistically significant, suggesting a deep decline in profitability over time.

5.2 What happens after the pump is over

An interesting question is what happens after the pump is over. To address this issue, we calculate two additional variables.

\[^{20}\text{It might also be because “Views” could be endogenous. All of the other results are robust to excluding “Views” from the analysis.}\]
• **Starting price**: this is the starting price associated with the maximum five minute percentage increase in price. It can be interpreted as the “pre-pump” price.

• **End price**: This is the minimum price in the 48 hours after pump.

• We then calculate the following variable: \( \frac{\text{End price} - \text{Starting price}}{\text{Starting price}} \). This is the percentage change in price from the pre-pump period to the post-pump period.

We find the following: The median percentage change in price from the pre-pump period to the post pump period is -41% for Discord data and -38% for Telegram data. Overall, more than 60% of the coins have a lower “post-pump” price than the “pre-pump” price. Even though prices were generally falling during this period, a 40% fall in prices in 48 hours is large.

5.3 **Trading Volume Data**

We do not have corresponding volume data, since volume data on [coinmarketcap.com](https://coinmarketcap.com) is reported continuously over the preceding 24 hour period and it is not clear how often volume information is updated.

But we did calculate the following volume variable: “Per-change volume after,” which equals the maximum (24 hour) volume in the 24 hours following a pump signal less the minimum (24 hour) volume in the 24 hours following a pump signal divided by the minimum (24 hour) volume in the 24 hours following a pump signal. We find the following.

• On both Discord and Telegram, there is approximately a 30 percent correlation between (i) the maximum five-minute percentage change in price and (ii) the “Per-change volume after.”

• Since the price signal occurs before the changes in volume, we could run a regression with volume change as the dependent variable and put the maximum five-minute percentage change in price as a right-hand-variable along

---

21 We ran regressions using the percentage change in price from the pre-pump period to the post-pump period as the dependent variable, and the right-hand-side variables as the independent variables. In these regressions, the adjusted R-squared was virtually zero.

22 Since we do not have delineated trading volume, we cannot quantify profitability from the pumps. Even if did have trading volume by time, it still would be impossible to measure profitability. This is the “pumpers” act as individuals and others can trade as well. The only way to measure profitability would be to have access to trading activity over time at the individual level; labeled trading data is not available.
with the other independent variables used in the price regressions. In such a case, only that variable is significant and the adjusted R-squared is relatively large. Since we are not exactly sure of the timing, we do not want to push this too much, but it does suggest the following: The pump organizers buy first, increasing the price. Then the “herd” jumps in, where the herd is comprised of other people who received the pump signal and outsiders (some of whom may be using trading algorithms.) During this period, the original “pumpers” are likely selling their shares as well.

- The two points above suggest that the maximum five-minute percentage change in price is a good proxy for success.

5.4 The number of exchanges mentioned by the pump

Finally, we briefly summarize data regarding the number of exchanges mentioned by the pump. We observed this for 546 pumps on Discord, around half of the total. We scraped this data from the pump signal, counting any exchanges directly mentioned in the signal message.

While most pumps mention a single exchange, more than 18 percent of the pumps mention more than one exchange. Correlations among the number of pump exchanges and the independent variables are shown in Table 7. Not surprisingly, the number of exchanges used in the pump is negatively correlated with the rank of the coin (-0.25) and positively correlated with the number of exchanges the coins are traded on (0.29.) These numbers give us additional confidence that we are indeed picking up actual pumps.

6 Brief Conclusions and Thoughts on Regulation

In this paper we examined the phenomenon of pump and dump schemes for cryptocurrencies. The proliferation of cryptocurrencies and changes in technology have made it relatively easy (and virtually costless) for individuals to coordinate their activities. In terms of scope, we found that this pump and dump phenomenon is widespread on both Discord and Telegram.

Our analysis has implications for regulatory policy. Regulators could perhaps significantly disrupt future pump and dump schemes by focusing their efforts on the
most prolific exchanges and pump channels. Far from insurmountable, a concentrated ecosystem makes enforcement tractable.

Pump and dump schemes historically involved stocks or securities. Hence, in the U.S., the Securities and Exchange Commission (SEC) had regulatory authority. However, the U.S. Commodity Futures Trading Commission (CFTC) defined cryptocurrencies as commodities. This interpretation gives them legitimacy to be involved in the regulation of cryptocurrencies.

During the period of our data, the CFTC (February 2018) issued a press release warning consumers to avoid pump and dump schemes. As they noted, this was the First Pump-and-Dump Virtual Currency Customer Protection Advisory. The CFTC took an additional step by issuing a bounty shortly thereafter on cryptocurrency pump and dumps.

In February 2018, the same month as the first CFTC warning, interest in the CFTC shot up to a Google trends high that was never reached again. A comparison (using Google trend data) between interest in pump-and-dump schemes and interest in the CFTC showed that interest in pump-and-dumps peaked shortly before interest in the CFTC. Perhaps, more regulatory action at this stage might have dampened the phenomenon.

In general, U.S. regulatory policy towards cryptocurrencies can be characterized as hands-off. U.S. regulatory policy is inhibited in part because overlapping agencies have authority for regulating different aspects of the cryptocurrency ecosystem. The Internal Revenue Service (IRS), Financial Crimes Enforcement Network (FinCEN), the Commodity Futures Trading Commission (CFTC), and the Securities and Exchange Commission (SEC) are all involved in regulation related to the issuance, sale, and exchange of cryptocurrencies. A recent paper notes that depending on the regulatory agency, according to U.S. Law, cryptocurrencies can be money, property, a commodity, and a security. This causes confusion and creates a regulatory vacuum.

While federal regulators have not been pursuing pump-and-dump schemes, state attorneys general have been active in investigating forms of price manipulation. The

23Nevertheless, market manipulation such as cryptocurrency-related pump and dump schemes could be viewed as illegal in the United States under the Securities Exchange Act of 1934 Rule 10-b5 which makes interstate commerce using manipulation or deceptive devices illegal. This is not a legal opinion, of course; it is simply an example of an existing law that could apply. Such clarification would be helpful since there is widespread belief spread by pump organizers that these schemes might be legal under US law.
New York State Office of the Attorney General investigated cryptocurrency fraud at the cryptocurrency exchange level \cite{13}. They found that while most trading platforms acknowledged that market manipulation and fraud were issues, they lacked controls to evade abusive behavior, such as pump and dump trading activity. One currency exchange, Kraken, did not submit to their formal inquiry, but rather submitted a statement admitting that they did not believe market manipulation to be an issue.

In general, federal regulators should be very concerned by the presence of the pump and dump ecosystem. Even though we have demonstrated a decline in pump profitability, the scope of the phenomenon should raise red flags and trigger countermeasures.

Acknowledgements

We gratefully acknowledge support from the following research grants: US-Israel Binational Science Foundation grant No. 2016622, US National Science Foundation Award No. 1714291, and a Blavatnik Interdisciplinary Cyber Research Center Research award. We thank Christophe Bisière and participants at the 12th Digital Economics Conference in Toulouse for excellent comments and suggestions that significantly improved the paper.

References


[15] Shane Shifflett and Paul Vigna. Some traders are talking up cryptocurrencies, then dumping them, costing others millions. *The Wall Street...*
Journal, August 2018. Available at: https://www.wsj.com/graphics/cryptocurrency-schemes-generate-big-coin/
Table 2: Descriptive Statistics: Telegram, N=2,469

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max % Price inc.</td>
<td>2,469</td>
<td>9.57</td>
<td>22.93</td>
<td>0.42</td>
<td>341.99</td>
</tr>
<tr>
<td>Exchanges</td>
<td>2,469</td>
<td>17.72</td>
<td>22.5</td>
<td>1</td>
<td>182</td>
</tr>
<tr>
<td>Pair Count</td>
<td>2,469</td>
<td>16.89</td>
<td>64.17</td>
<td>1</td>
<td>759</td>
</tr>
<tr>
<td>Rank</td>
<td>2,469</td>
<td>375</td>
<td>417</td>
<td>2</td>
<td>2,036</td>
</tr>
<tr>
<td>Views</td>
<td>2,469</td>
<td>9,649</td>
<td>9,815</td>
<td>0</td>
<td>77,266</td>
</tr>
<tr>
<td>January 2018</td>
<td>2,469</td>
<td>0.16</td>
<td>0.37</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>February 2018</td>
<td>2,469</td>
<td>0.12</td>
<td>0.32</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>March 2018</td>
<td>2,469</td>
<td>0.13</td>
<td>0.34</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>April 2018</td>
<td>2,469</td>
<td>0.27</td>
<td>0.45</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>May 2018</td>
<td>2,469</td>
<td>0.19</td>
<td>0.39</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>June 2018</td>
<td>2,469</td>
<td>0.13</td>
<td>0.40</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Binance-only</td>
<td>2,469</td>
<td>0.22</td>
<td>0.41</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Bittrex-only</td>
<td>2,469</td>
<td>0.18</td>
<td>0.39</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Binance-Bittrex</td>
<td>2,469</td>
<td>0.05</td>
<td>0.23</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>other exchange</td>
<td>2,469</td>
<td>0.07</td>
<td>0.25</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>No exchange</td>
<td>2,469</td>
<td>0.48</td>
<td>0.50</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3: Median Price Increases by Coin Rankings.

| Rank       | Discord | | | Telegram | | |
|------------|---------|-----|------------|---------|-----|
|            | # | %  | Price Inc % | # | %  | Price Inc % |
| ≤ 75       | 52 | 69.33 | 3.51 | 56 | 74.67 | 4.81 |
| 76-200     | 58 | 46.40 | 5.22 | 62 | 49.60 | 6.46 |
| 201-500    | 75 | 25.00 | 5.32 | 84 | 28.00 | 8.10 |
| > 500      | 73 | 5.33  | 23.23 | 176 | 11.46 | 18.74 |

Table 4: Correlations Among Variables: Discord, N=952

<table>
<thead>
<tr>
<th>Variable</th>
<th>% Price inc.</th>
<th>Exchanges</th>
<th>Pair Count</th>
<th>Rank</th>
<th>Server Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Price inc.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchanges</td>
<td>-0.15</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pair Count</td>
<td>-0.053</td>
<td>0.72</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rank</td>
<td>0.46</td>
<td>-0.42</td>
<td>-0.18</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Server Member</td>
<td>-0.035</td>
<td>-0.0031</td>
<td>0.021</td>
<td>0.000</td>
<td>1</td>
</tr>
</tbody>
</table>

Electronic copy available at: https://ssrn.com/abstract=3303365
Table 5: Correlations Among Variables: Telegram, N=2,469

<table>
<thead>
<tr>
<th>Variable</th>
<th>% Price inc.</th>
<th>Exchanges</th>
<th>Pair Count</th>
<th>Rank</th>
<th>Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Price inc.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchanges</td>
<td>-0.14</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pair Count</td>
<td>-0.06</td>
<td>0.64</td>
<td>1</td>
<td>-0.19</td>
<td>-0.06</td>
</tr>
<tr>
<td>Rank</td>
<td>0.40</td>
<td>-0.44</td>
<td>-0.19</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Views</td>
<td>-0.10</td>
<td>0.09</td>
<td>0.04</td>
<td>-0.06</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 1: Google Trends results from searching for pump and dump cryptocurrency.
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Telegram Dept. Var. % Price Increase</th>
<th>Discord Dept. Var. % Price Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>log/log</td>
<td>log/log</td>
</tr>
<tr>
<td>Exchanges</td>
<td>-0.29***</td>
<td>-0.23***</td>
</tr>
<tr>
<td></td>
<td>(0.057)</td>
<td>(0.067)</td>
</tr>
<tr>
<td>Pair Count</td>
<td>0.034</td>
<td>0.15**</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.066)</td>
</tr>
<tr>
<td>Rank</td>
<td>0.16***</td>
<td>0.24***</td>
</tr>
<tr>
<td></td>
<td>(0.043)</td>
<td>(0.050)</td>
</tr>
<tr>
<td>Server Members</td>
<td>-0.007</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.020)</td>
<td></td>
</tr>
<tr>
<td>Views</td>
<td>-0.061***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td></td>
</tr>
<tr>
<td>February 2018</td>
<td>-0.036</td>
<td>-0.24**</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.087)</td>
</tr>
<tr>
<td>March 2018</td>
<td>-0.046</td>
<td>-0.13</td>
</tr>
<tr>
<td></td>
<td>(0.069)</td>
<td>(0.091)</td>
</tr>
<tr>
<td>April 2018</td>
<td>-0.20***</td>
<td>-0.40***</td>
</tr>
<tr>
<td></td>
<td>(0.052)</td>
<td>(0.11)</td>
</tr>
<tr>
<td>May 2018</td>
<td>-0.43***</td>
<td>-0.49***</td>
</tr>
<tr>
<td></td>
<td>(0.070)</td>
<td>(0.079)</td>
</tr>
<tr>
<td>June 2018</td>
<td>-0.26***</td>
<td>-0.66***</td>
</tr>
<tr>
<td></td>
<td>(0.075)</td>
<td>(0.11)</td>
</tr>
<tr>
<td>Binance Only</td>
<td>-0.31***</td>
<td>-0.24***</td>
</tr>
<tr>
<td></td>
<td>(0.055)</td>
<td>(0.062)</td>
</tr>
<tr>
<td>Bittrex Only</td>
<td>-0.17****</td>
<td>-0.23***</td>
</tr>
<tr>
<td></td>
<td>(0.050)</td>
<td>(0.075)</td>
</tr>
<tr>
<td>Binance-Bittrex</td>
<td>-0.41***</td>
<td>-0.38***</td>
</tr>
<tr>
<td></td>
<td>(0.086)</td>
<td>(0.080)</td>
</tr>
<tr>
<td>Observations</td>
<td>2,649</td>
<td>952</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.32</td>
<td>0.30</td>
</tr>
</tbody>
</table>

Standard errors in parentheses: clustered standard errors at the level of the coin.

Electronic copy available at: https://ssrn.com/abstract=3303365
Table 7: Correlation Table: Pump Exchange and Independent Variables, N=546

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pump Exchanges</th>
<th>Exchanges</th>
<th>Pair Count</th>
<th>Rank75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pump Exchanges</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchanges</td>
<td>0.29</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pair Count</td>
<td>0.13</td>
<td>0.73</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Rank</td>
<td>−0.25</td>
<td>−0.40</td>
<td>−0.18</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 8: Pump (Median) Success/Profitability by Month in Percentage Terms

<table>
<thead>
<tr>
<th>Month</th>
<th>Discord</th>
<th>Telegram</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2018</td>
<td>5.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Feb 2018</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>3.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>May 2018</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Jun 2018</td>
<td>2.2</td>
<td>3.2</td>
</tr>
</tbody>
</table>