

Bitconnect Coin Guide:

Bitconnect history, status, pricing, business model, predictions, wallet, and scams.

History of Bitconnect

[BitConnect](#), or BCC, was a bitcoin investing lending platform and open-source cryptocurrency released in 2016, launched after India's Prime Minister Narendra Modi demonetized 500 and 1000 rupee notes in the region. The platform positioned itself as an “ecosystem,” and was guided by a high-yield investment business model. It promised extremely high returns on investment, by paying past investors with the money invested by new investors, so that they would in this way earn interest from their own wallet. This is highly similar to how a Ponzi scheme works. BCC's website was anonymously run, and promised and paid many outsized returns. Their website claimed that BCC's “all in one bitcoin and crypto community platform” was “designed to provide multiple investment opportunities with cryptocurrency education.”

BitConnect was very successful in the initial stages. In 2017, it was positioned as one of the top performing cryptocurrencies on [CoinMarketCap](#). At its prime, it had a market cap of over \$2.6 billion, and its value exceeded the \$400 mark, hitting \$463 in December 2017. However, after Bitconnect closed in January 2018, its price fell by 65%, and had declined to \$5.92 by the end of the month. It was permanently closed after scam reports due to its fraudulent and ponzi practices. Despite the crash in price, the coin continued to circulate, until it was delisted in September 2018 after the last exchange traded by Trade Satoshi.

BitConnect never realized the original goal of goal of allowing users to lend Bitcoin for interest, and faced harsh backlash from critics and investors, even prior to its closure, because of its lending scheme, over-confident assurance of returns amounting to 147% total return over 6 weeks, and impossibly high daily payouts of 1% daily compounded interest. Both Ethereum founder Vitalik Buterin and Litecoin creator Charlie Less denounced BitConnect early on in its growth, with [Buterin stating](#) “Yeah, if 1% per day is what they offer then that's a ponzi.”

How Bitconnect Worked: Deposits, Investments, and Loan Interest

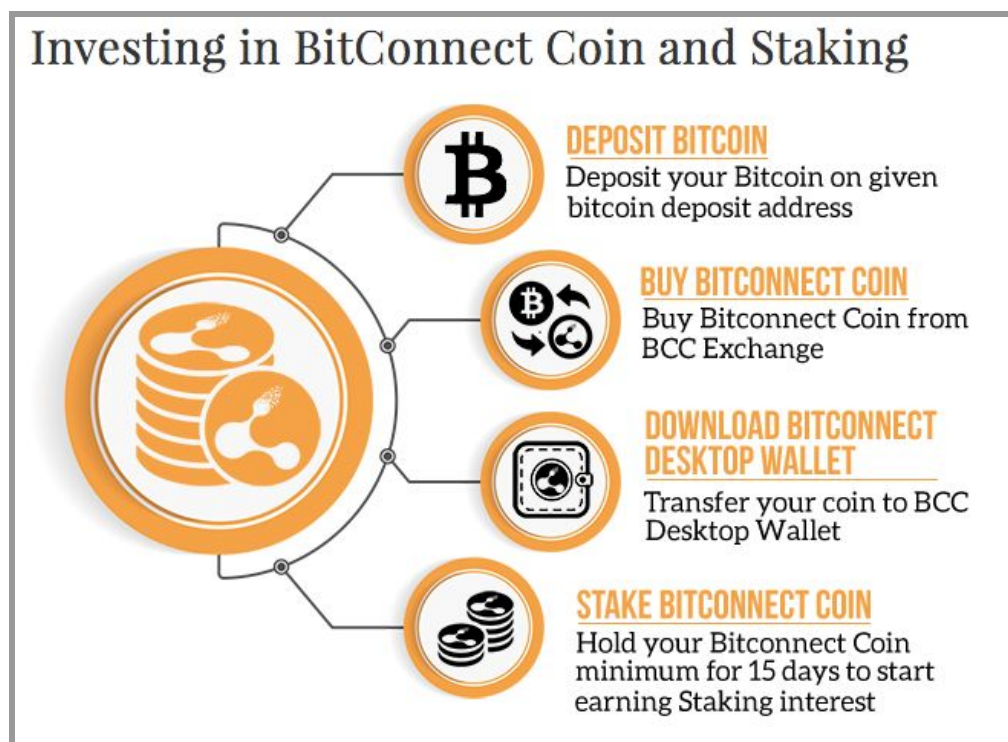
On the website, BCC states that its ecosystem and coin price is influenced by “a perceived regard for its supply and demand features designed during Bitconnect coin algorithm.” Its main strategy essentially revolved around profiting from market fluctuations and volatility, and relied on paying out existing loan interest with newly pledged loans. By loaning their cryptocurrency to the company, investors were promised outsized loans, depending on the length of the loan. To put it into perspective, a \$10,000 loan for 180 days would give you approximately 40% returns each month, with a .20% daily bonus. This system made many outsiders suspicious about possible ponzi scheme activities, as the company were essentially paying their loan interest with newly pledged loans.

BitConnect followed a four-tier investment system, depending on the amount of the deposit invested, and users were encouraged by the promise that the more cash you invested, the better your profits would be, turning your bitcoin investment into a fortune thanks to a 1% daily return of investment. This is an unsustainable model, as in theory, a \$1,000 investment would eventually amount to more than \$50 million within three years. Also, loan interest was only paid in BCC, which meant that once the loan term had terminated, users would have to convert it back to bitcoin, before converting it to USD.

Below is a chart representing how much investors and users would make by using the platform.

Lending Amount	Interest (Accrued Daily)	Capital Back
\$100 - \$1000	Volatility Software Interest (up to 40 % Per Month)	After 299 Days
\$1010 - \$5000	Volatility Software Interest + 0.10% Daily (up to 40 % Per Month)	After 239 Days
\$5010 - \$10000	Volatility Software Interest + 0.20% Daily (up to 40 % Per Month)	After 179 Days
\$10010 - \$100000	Volatility Software Interest + 0.25% Daily (up to 40 % Per Month)	After 120 Days

According to the last updates on their website in January 2018, BCC Coin specifications marked maximum coin supply at 28 million, with current availability at 6 million, promising a fresh new addition of 23 million supplied by a combination of BCC mining and minting. Again they emphasise the supply and demand model to entice investors into contributing to creating wealth in the “BitConnect ecosystem.” The 3 main channels which regulated this system were coin supply channels (from mining and staking), coin demand channels (from a Proof of Stake process), and a coin distribution channel (the BCC Exchange platform allowed you to exchange BCC to bitcoins, and allowed members to buy and sell BCC directly among themselves). Their staking process claimed to provide rewards to users who contributed to the security of the network “via proof of holding,” by investing and staking in the BCC coin.



Claims for interest rate returns were as high as 120% per year, and all users had to do was hold the coins in their Bitconnect-Qt wallet. The site even provided tutorials on how to best stake BitConnect Coin. The only requirement before starting to earn interest from this staking was holding your BCC coins for a minimum of 15 days, after which period stakeholders would see minting blocks pop

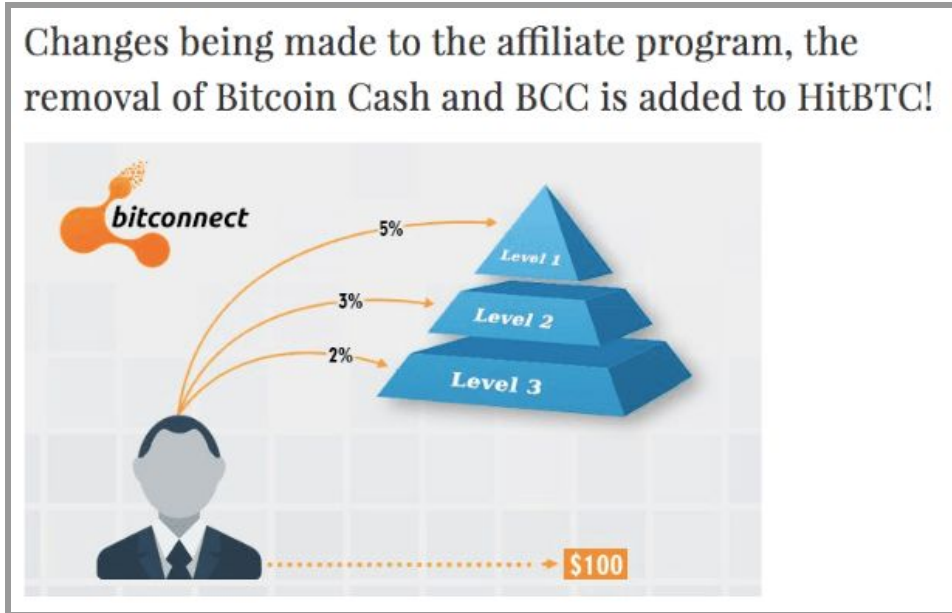
up in their wallet. The interest rates were predicted to skyrocket as demonstrated below.

Duration	Interest
1st 6 months Jan 2017 to June 2017	60% (10%per month)
2nd 6 months July 2017 to Dec 2017	50% (8%per month)
3rd 6 months Jan 2018 to June 2018	40% (7%per month)
4th 6 months July 2018 to Dec 2018	30% (5%per month)
5th 6 months Jan 2019 to June 2019	20% (3%per month)
6th 6 months July 2019 to Dec 2019	10% (1.4%per month)

Marketing Strategy: Pyramid Scheme & Affiliation Program

BitConnect's success depended on its pyramid scheme and affiliation program, which thrived on multi-level referrals. They used thousands of social media users to drive signups by using referral codes, manifesting a sort of trading bot system, and put enormous effort into digital and event marketing as a way of recruiting new investors.

Affiliate marketers would promote screenshots of their impressive BitConnect profits, while most of these profits came from their affiliate earnings and not actual BCC investments. BitConnect even signed a partnership with Blockchain Expo for its own stand, attended the ICO EVENT conference in Amsterdam, and hosted a gala night in Thailand, to create buzz around BCC platform activity and returns.



These sketchy marketing schemes contributed to the suspicion of BCC as being a Ponzi scheme.

Ponzi Scheme and BitConnect Collapse

With this suspicious business model, unsustainable loan and interest return promises, the collapse of BitConnect shouldn't have come as much of a curveball - except for the thousands of naive investors who had staked assets in the company. In what was touted as the [“biggest exit scheme in cryptocurrency.”](#) BitConnect was shut down after being proclaimed a Ponzi scheme. It was able to function for two full years because it led investors to believe that their profits were coming from product sales or by genuine means, while not realising that they were in fact coming from new investors' loans. This scheme can continue as long as new investors join and contribute new funds, as long as previous investors don't all ask for full repayment and continue to participate unknowingly in the scam.

The beginning of the end for BitConnect came in November 2017, when the company failed to provide proof of its legitimacy upon request. On January 3rd, the Texas State Securities Board officially closed the company due to their lack of transparency, and issued a warning to the public that BitConnect was not

registered to partake in the business practices they had incorporated. BitConnect was shut down on January 17th, and prices crashed by 92% soon after. The authorities soon intervened, and the British Registrar of Companies issued a filing [which stated that](#) “Upon dissolution all property and rights vested in, or held in trust for, the company are deemed to be bona vacantia, and accordingly will belong to the crown.”

It was soon revealed that BitConnect had lied about its operations and the identity of its founding members was unclear. Despite the company’s last efforts to cover up this news coverage by publishing a stream of content of their own to dominate Google search, they finally acknowledged the legal implications of the proceedings and released a statement saying they were closing all lending operations and releasing outstanding loans. All lending wallet balances were transferred to users’ BitConnect wallet balances, at a value of 363.62 USD. Bitconnect token trading went down by 80%, worth less than \$40.



Impact and Aftermath

As previously mentioned, the last exchange and trade of BCC occurred with Trade Satoshi, who eventually delisted the coin this past September 2018. The closure obviously caused enormous damage to the involved parties, and serves as a caution

to all future investors to look closely into the status and activities of their investment platforms. Similar warning signs have been issued around EthConnect, based on Ethereum, as well as XRPCConnect, based on Ripple, and NEOConnect, based on NEO. bitConnect X ICO also remains active.

This August saw [the arrest of Divyesh Darji](#), who is believed to have been the Indian head of BitConnect and one of the main instigators of the scheme. He was arrested in Dubai by the Gujarat Criminal Investigation Department. According to [the Financial Express](#), it is thought that the promoters of BitConnect gained roughly \$14.5 million, from thousands of investors before the exchange was shut down.