

MONEY MYTHS SERIES

Crypto Yield, Memecoin and Pig-Butchering Scams: What the FBI and Regulators Found

Crypto yield platforms, memecoins and pig-butcherer scams, checked against FBI, SEC, FTC and California DFPI records: who gets paid and how to protect family.

By Eric Ridley, attorney, Ridley Law · Updated September 2026 · Read online with live links: ridleylawoffices.com/crypto-scams/

Part of our [money myths series](#), where we look at the money advice that spreads on Instagram, TikTok and YouTube and ask who gets paid when you follow it.

The pitch: "Park your crypto here and earn 12%, 18%, even 20% a year. It's safer than a bank." Or a new friend online shows you the trading app that's making them rich.

The verdict: Crypto investment fraud was the biggest single source of losses Americans reported to the FBI in 2025, \$7.2 billion, and Californians reported more crypto losses than any other state (FBI IC3, 2025). The "high yield" platforms that collapsed in 2022 paid customers back cents on the dollar, and the friend with the trading app is usually a scam compound overseas.

\$7.2 billion

crypto investment fraud losses reported to the FBI (2025)

\$2.1 billion

crypto-related losses reported by Californians, the most of any state (2025)

\$7.7 billion

total losses reported by people 60 and older, up 59% (FBI, 2025)

\$10 billion+

Americans lost to Southeast Asia-based scam operations (Treasury estimate, 2024)

18%

the yield Celsius advertised before it froze customer accounts (FTC)

\$1,000

daily cap on crypto kiosk transactions in California (Fin. Code, § 3902)

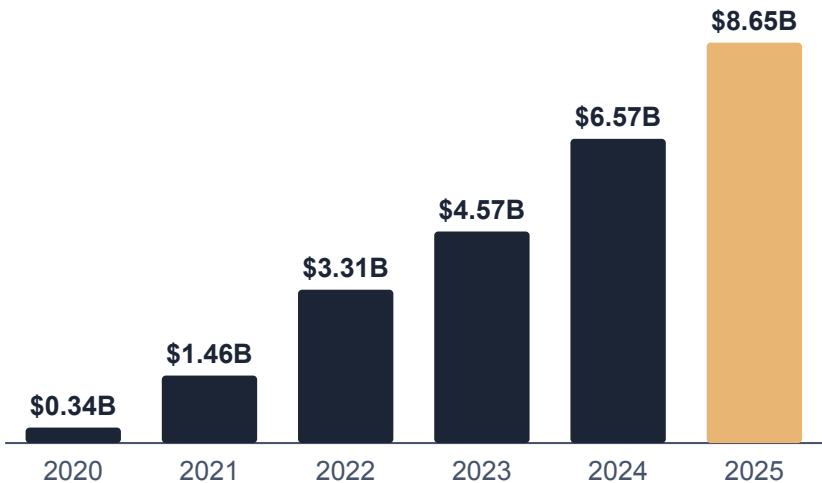
Who gets paid when you follow this advice

- **The platform's insiders.** Celsius founder Alex Mashinsky was sentenced to 12 years and ordered to forfeit \$48,393,446. Prosecutors said he promised to keep customers' assets "safer than a bank" while using them "to place risky bets and to line his own pockets."
- **The borrowers on the other side of the "yield."** The high rates came from lending customer crypto out. The CFTC alleged Voyager sent more than \$650 million of customer assets to one high-risk borrower.
- **Scam compounds.** FinCEN and the FBI say pig-butcherer scams are largely run by criminal organizations in Southeast Asia, often using trafficked workers. Every dollar you "invest" on the fake app goes to them.
- **The promoter.** Token issuers pay people to hype them; the SEC charged Kim Kardashian for not disclosing the \$250,000 she was paid to promote one. Our [copy trading and influencers](#) page covers the SEC cases against paid crypto promoters.
- **The recovery scammer, last.** The FBI logged \$1.4 billion in losses to "recovery" scams in 2025, people promising to get your crypto back for a fee.

How much money are people losing to crypto scams?

Americans reported \$11.4 billion in crypto-related losses to the FBI in 2025, including \$7.2 billion to crypto investment fraud (FBI IC3, 2025).

The FBI's Internet Crime Complaint Center says total reported losses passed \$20 billion in 2025, and investment fraud was the largest category. Reported investment fraud losses went from about \$336 million in 2020 to \$8.65 billion in 2025.



Source: FBI Internet Crime Complaint Center annual reports, 2022 to 2025 (three-year comparison tables). Losses are as reported by victims, not audited.

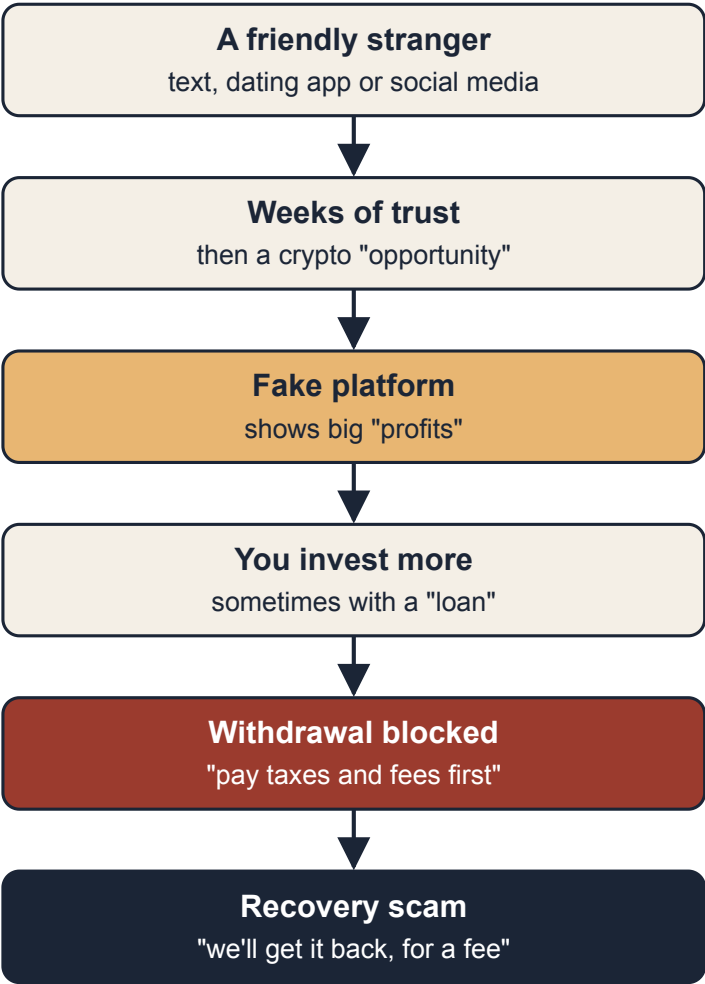
Year	Investment fraud losses reported to IC3	Of which crypto investment fraud (as stated by FBI)
2020	\$336,469,000	not stated
2021	\$1,455,943,193	\$0.91 billion
2022	\$3,311,742,206	\$2.57 billion
2023	\$4,570,275,683	\$3.96 billion
2024	\$6,570,639,864	\$5.80 billion
2025	\$8,648,617,756	\$7.23 billion

California leads the country. In 2025 Californians filed 116,414 complaints with IC3, reported \$3.67 billion in losses and \$2.10 billion in crypto-related losses, first among the states in all three. The Federal Trade Commission's own data point the same way: consumers reported \$15.9 billion in fraud losses in 2025, and investment scams were the top category at more than \$7.9 billion. Investment scams that started on social media cost people \$1.1 billion, the FTC reported.

What is a pig-butcher scam?

It's a long-con investment fraud where a scammer builds a friendship or romance, steers you to a fake crypto trading platform, shows you fake profits, and then demands "taxes and fees" when you try to withdraw (FBI, FinCEN).

The FBI's 2025 report describes the pattern. Scammers reach out by text, social media, ads or dating apps, then move to a messaging app. Victims are shown fake profits and offered loans to invest more. When they try to withdraw, they're told to pay taxes and fees first, a final grab before the scammers disappear. California's Department of Financial Protection and Innovation says the same: the victim is never able to withdraw.



Stage	What the FBI, FinCEN or DFPI say
First contact	FinCEN: run largely by criminal organizations in Southeast Asia (2023 alert)
Fake profits	FBI: victims see fake gains and are offered loans to invest more (IC3 2025)
Withdrawal blocked	FBI: victims are charged "taxes and fees" as a final attempt to take more; DFPI: the victim is never able to withdraw
Recovery scam	FBI: 10,516 recovery-scam complaints and \$1.4 billion in losses in 2025

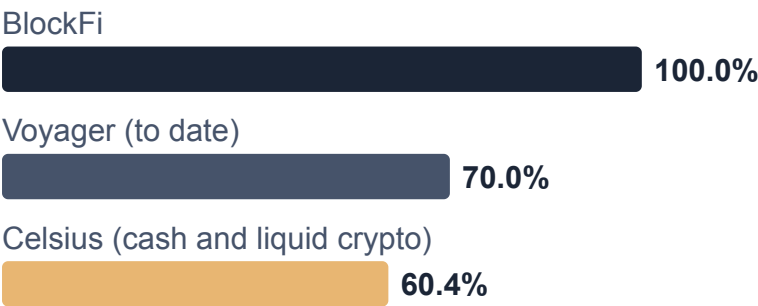
In October 2025 the Justice Department indicted the chairman of Cambodia's Prince Group on charges of running forced-labor scam compounds and filed a forfeiture complaint against about 127,271 bitcoin, worth about \$15 billion, the largest forfeiture action in the department's history. These are allegations; an indictment isn't a conviction. Treasury sanctioned 146 targets in the group and estimated Americans lost at least \$10 billion to Southeast Asia-based scam operations in 2024. The department's Scam Center Strike Force had restrained more than \$700 million in crypto by April 2026.

Smart people fall for it. In 2024 a Kansas bank CEO, Shan Hanes, was sentenced to 293 months in prison after wiring \$47.1 million of his bank's money into a pig-butchering scam; the bank failed. CNBC reported he also took \$40,000 from his church and \$10,000 from an investment club.

Is crypto staking or crypto lending safe?

The 2022 lenders that advertised high yields weren't; Celsius, Voyager and BlockFi all went bankrupt, and regulators found their "yield" products were unregistered securities offerings or misleading (SEC, FTC, CFTC).

- **Celsius** marketed itself as the "safest place for your crypto," told customers to "unbank" themselves, and, according to the FTC, advertised Earn rewards as high as 18%. Customers deposited about \$20 billion. Mashinsky pleaded guilty to fraud and got 12 years. The FTC obtained a \$4.7 billion judgment against the companies, suspended so assets could go to customers in bankruptcy; the CFTC obtained permanent trading bans. Creditors received about 60.4% of their claims' value in cash and liquid crypto, plus shares in a new company.
- **Voyager** told customers "YOUR USD IS FDIC INSURED." The FDIC and the Federal Reserve demanded it stop in July 2022; Voyager itself wasn't FDIC-insured. The FTC obtained a \$1.65 billion suspended judgment, and former CEO Stephen Ehrlich later agreed to pay \$2.8 million to the FTC and \$750,000 to customers through the CFTC. Creditors had received 70% of allowed claims by September 2024.
- **BlockFi** paid \$100 million, \$50 million to the SEC and \$50 million to 32 states, over its unregistered interest accounts in February 2022, then filed for bankruptcy that November. Its estate paid 100% of claims, but valued in dollars on the November 2022 bankruptcy date, so customers got back the dollar value of their coins on that date, not the coins themselves.



Platform	Recovery	What that number means
BlockFi	100%	Of claims valued in dollars on the Nov. 28, 2022 bankruptcy date, not in coins (BlockFi estate)
Voyager	70% to date	Of allowed claims, after the second distribution (plan administrator report, Sept. 2024)
Celsius	About 60.4%	Of petition-date value in cash or liquid crypto, plus shares in a new mining company not counted here (Celsius distribution notice)

Staking itself is a different question. In 2023 Kraken paid \$30 million to settle SEC charges over its staking-as-a-service program, which advertised returns as high as 21%. In May 2025 the SEC's Division of Corporation Finance said that protocol staking, as it described it, doesn't require registration. That statement excludes liquid staking and restaking, and the SEC staff says its statements have "no legal force or effect." Staking your own coins on a network is one thing. Handing them to a platform that promises a fixed high rate is another.

Are memecoins legal?

Usually they aren't securities, the SEC staff said in February 2025, but that means fewer protections for buyers, and fraud in memecoins can still be prosecuted by other agencies.

The SEC's Division of Corporation Finance compared memecoins to collectibles with "limited or no use or functionality." The same statement says fraud tied to memecoins may still be pursued by other federal or state agencies. One example: market-maker Gotbit admitted to manipulative trades to inflate the price and volume of tokens including Robo Inu and Saitama, and its founder was sentenced to eight months in prison in 2025. If the price of a memecoin is going up because someone is paid to make it go up, you're the buyer they're waiting for.

What does California law do about crypto scams?

California now requires most crypto businesses serving residents to be licensed by the DFPI (since July 1, 2026), caps crypto kiosk transactions at \$1,000 a day, and tracks reported scams publicly (Fin. Code, §§ 3201, 3902).

- **Licensing.** Under the Digital Financial Assets Law, on or after July 1, 2026, a person can't do digital financial asset business with a California resident without a DFPI license, a pending application or an exemption (Fin. Code, § 3201).
- **Kiosks.** A crypto kiosk operator can't accept or dispense more than \$1,000 a day from or to a customer (§ 3902), and fees are capped (§ 3904). The FBI counted \$389 million in crypto ATM fraud losses in 2025.
- **The Crypto Scam Tracker.** The DFPI's online tracker listed 604 reported scams when we checked. The DFPI notes it hasn't verified the losses complainants report, and it warns consumers to be wary of anyone charging sudden fees to withdraw.

When the victim is 65 or older, California's elder financial abuse law may also apply. Our [elder financial abuse guide](#) explains what families can do, and the [county-by-county data](#) shows how common it is. The FBI reports people 60 and older lost more than \$4.3 billion to crypto fraud in 2025.

Can I deduct crypto scam losses on my taxes?

Sometimes: the IRS Chief Counsel concluded in 2025 that a pig-butchering victim who invested to make a profit can claim a theft loss, while romance and fake-kidnapping victims who weren't investing can't (CCA 202511015).

The memo turns on 26 U.S.C. § 165. Since 2018, personal casualty and theft losses are deductible only when they're tied to a declared disaster, and the 2025 tax law made that limit permanent (§ 165(h)(5)). A loss in a transaction entered into for profit isn't a personal loss, so the pig-butchering investor in the memo qualified. Get a tax professional involved and keep every record: wallet addresses, transaction hashes, messages. Crypto is property for federal tax purposes (IRS Notice 2014-21), and staking rewards are income when you gain control of them (Rev. Rul. 2023-14), so the IRS will expect the earlier gains reported too.

When is earning yield on crypto legitimately fine?

When you understand where the return comes from, the platform is licensed, and you can lose the money without hurting your retirement.

Staking coins you hold on a network, under the conditions the SEC staff described in 2025, is different from lending them to a company that promises a fixed rate. BlockFi customers got 100% of their dollar claims back, but only after a bankruptcy and a long wait. The question to ask of any yield is the one the 2022 collapses answered: who is paying me this rate, and what are they doing with my coins?

Crypto "yield" pitch vs. a safer alternative

	High-yield crypto platform or "friend's" trading app	FDIC-insured savings or Treasury bills
Where the return comes from	Lending your coins to others, or nowhere (fake profits)	Bank lending or the U.S. Treasury
Insurance	None; Voyager's "FDIC insured" claim was false (FDIC)	FDIC deposit insurance, or a U.S. government obligation
Withdrawal	Can be frozen; fake apps demand "fees" (FBI, DFPI)	On demand, or at maturity
Licensing in California	DFPI license required from July 1, 2026 (Fin. Code, § 3201)	Chartered banks and the Treasury
If it fails	Bankruptcy: 60% to 100% of claims, years later	Insured up to FDIC limits

What should you do instead?

- 1

Never let an online contact direct your investments
The FTC's rule of thumb: only scammers will guarantee profits or big returns. If someone you've never met in person brings up crypto, stop talking.
- 2

Check the license
Look up the company with the California DFPI before you send anything, and search the DFPI Crypto Scam Tracker.
- 3

Treat a withdrawal fee as the alarm
If you're told to pay "taxes" or "fees" to get your money out, the money is already gone. Don't send more.
- 4

Report it, then watch for the second scam
File at ic3.gov and with the DFPI, with wallet addresses and transaction hashes. Anyone who contacts you offering to recover the money for a fee is the recovery scam.

5 Plan for the crypto you do own

Real crypto has to be findable by your family. See [digital asset estate planning](#) and [the California crypto graveyard](#).

Frequently asked questions

How do I know if a crypto investment is a scam?

The FBI and DFPI warning signs: contact from a stranger, guaranteed or very high returns, an app or site you've never heard of, and fees or "taxes" demanded before you can withdraw.

Can I get my money back from a crypto scam?

Rarely. Federal agencies do seize scam proceeds, and the Scam Center Strike Force had restrained more than \$700 million by April 2026. Anyone who promises recovery for an upfront fee is running a recovery scam.

What happened to Celsius customers?

Celsius went bankrupt in 2022. Creditors received about 60.4% of their claims' value in cash and liquid crypto, plus shares in a new company. Founder Alex Mashinsky was sentenced to 12 years in 2025.

Is crypto staking legal in the U.S.?

Protocol staking, as the SEC's corporate finance staff described it in May 2025, doesn't require SEC registration in the staff's view. That view has no legal force, excludes liquid staking and restaking, and doesn't make any platform safe.

Are memecoins securities?

The SEC staff said in February 2025 that typical memecoins aren't. That leaves buyers with fewer protections, while fraud and manipulation can still be prosecuted.

My parent sent money to an online "friend" for crypto. What now?

Stop all payments, report to [ic3.gov](#) and the DFPI, call the bank, and save every message. If your parent is 65 or older, talk to a lawyer about California's elder financial abuse remedies and about putting a durable power of attorney and trust in place.

This page is general information about the law and published government reports and cases. It isn't legal, tax or investment advice for your situation. Allegations in pending cases are allegations, not findings.

More in the [money myths series](#): [gold IRA fear pitches](#) and [trading signal groups](#). For your own crypto: [a cold wallet isn't immune to probate](#).

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Questions about your own plan?

Ridley Law helps California families with trusts, wills, trust administration and probate from Port Hueneme, serving Ventura, Santa Barbara and Los Angeles counties. The first call is free and runs 30 minutes.

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