



## New Virtual Currency Scam Targets CFIs and Their Customers

cyber security FinCen

**Summary:** Federal authorities have issued an alert about a financial scam called “pig butchering”, in which victims are lured into investing in phony schemes, often involving crypto currency. The losses can be significant. We provide tips on how to identify these scammers, if they contact you.

Throughout the years, scams and the act of scamming have accumulated a number of slang terms and phrases to describe them, ranging from racket to gimmick to hustle to three-card monte, which is a rigged card game where the victim, or mark, is tricked into betting money to find the “money card” in a game they will never win.

The practice of naming specific types of scams continues with a new crypto investment scam that’s making the rounds.

FinCEN, the federal agency tasked with safeguarding the financial system, issues regular alerts about these new trending scams. It has warned of elder abuse, Russian money laundering, workers' compensation fraud, romance scams, and COVID-19 scams. One of the latest warnings, though, left some scratching their heads.

Last fall, FinCEN [issued a warning](#) to financial institutions to be on the lookout for “pig butchering” scams, after federal officials seized seven domains used for pig butchering schemes that stole \$10MM from five victims. No, this scam has nothing to do with actual pigs.

### Scammer Takes All

Instead, it’s a somewhat unfortunate name for a scam on the rise that lures victims into investing more and more money into what is purportedly virtual currency — until the con artist takes it all. Pig butchering involves the use of fake online domains in what is essentially a blend of catfishing and cryptocurrency scams. Instead of stealing whatever is readily available, the con artist slowly gains the trust of the victim and promises a big payoff that requires just a little more up front, and then more, and then more still. The name “pig butchering” refers to a technique used by scammers to “fatten up” their victims before running away with the victim’s entire investment. As of now, the scams seem to originate mainly in Southeast Asia.

### The Cost of Pig Butchering

For a small financial institution, pig butchering can be a huge hazard, like in the instance of the bank failure of Tri-State Bank in Kansas. The small community financial institution (CFI) [lost \\$12MM](#), which is a big chunk of its \$139MM in assets. The president of Tri-State Bank was the person who got scammed into putting the CFI’s assets at risk, proving that anyone, no matter their status within a financial institution, is susceptible to convincing and elaborate scams.

Sometimes victims get so far in with the scammer that they [liquidate holdings](#) or take out second mortgages on their homes to send more money. In a Los Angeles case, a woman paid a total of [\\$2.5MM](#) in a pig butchering scheme that began with a LinkedIn message from someone promising to help her invest in crypto.

What To Look Out for

CFIs and their employees need to be aware of the [warning signs of this scam](#). Here are a few signs that you might be the target of a pig butchering scheme:

- 1. You receive “wrong number” messages via text or text app, and the person continues the conversation with you, even after you inform them that they reached the wrong person.
- 2. Someone you met online suddenly starts talking to you about crypto investment opportunities and asks you to let them help you invest.
- 3. Someone you met online tells you about investment opportunities and tries to convince you to send them money that they’ll invest on your behalf.
- 4. An online dating match immediately showers you with luxurious gifts and promises of getaways.
- 5. Someone you met online asks you to download a specific cryptocurrency app.

As more people learn about and begin investing in virtual currency, [staying abreast of scams](#) targeting this type of investment is crucial. Cryptocurrency fraud increased by a staggering 183% from 2021 to 2022, with just over \$3B of investment fraud losses.

CFIs need to be alert to these new “pig butchering” scams for that very reason. This scam has specific tells to watch out for and involves virtual currency investment, so it’s important to educate CFI employees and customers who invest to look out for those red flags.

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ECONOMY & RATES

Rates As Of: 01/31/2024 07:16AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.42	0.02	0.02
6M	5.19	-0.07	-0.07
1Y	4.66	-0.11	-0.11
2Y	4.22	-0.03	-0.03
5Y	3.88	0.03	0.03
10Y	3.97	0.09	0.09
30Y	4.22	0.19	0.19
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.31	8.50	5.31	

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