

THE RISE OF PIG BUTCHERING SCAMS



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Shaz Hu Pan also known as Pig Butchering is a popular financial fraud scheme which includes elements of traditional romance and investment frauds while targeting human trafficking and modern slavery victims. The typology is generally controlled by organized criminal groups operating in Southeast Asia and in countries such as Myanmar, Laos, Cambodia and Thailand.

Pig Butchering works by criminal networks placing fake job advertisements to attract young people from China and other countries. These individuals are then held against their will in secured compounds where they are forced to commit cyberenabled fraud against unsuspecting victims.

PIG BUTCHERING TACTICS

The following are examples of tactics taken from law enforcement investigations used by organized crime gangs to target their intended victims:

- * Pig Butchering perpetrators who operate as an organized structure of phone scammers, website designers and money mules;
- * The use of targeted social engineering (Facebook, Instagram etc) to engage victims and build trust;
- * Perpetrators who develop meaningful relationships over months and engage with victims using avenues such as dating applications and social media platforms;
- * Geolocation services which are exploited to make it appear that the scammer is in the same location as the victim;
- * Victims who are directed to open accounts through online investment websites (via Android or iOS) or Virtual Asset Service Providers (VASPs) such as cryptocurrency exchanges; and
- * Scammers who pressure victims to invest more money. When the victims try to withdraw funds or show signs of ending their relationship, the account is closed and the money is gone.

WAYS FINANCIAL INSTITUTIONS AND VASPs ARE EXPLOITED BY PIG BUTCHERS

Financial Institutions (FIs) and VASPs can be exploited by criminals using Pig Butchering schemes in the following ways:

- * FIs and VASPs can be used as conduits to collect and transfer funds from victims and can also be used as intermediaries to move the funds to other jurisdictions;
- * FIs can be used to “on ramp” (deposit) and “off ramp” (cash out) virtual assets such as Ether and Tether, to and from a blockchain. Pig Butchering schemes commonly involve victims withdrawing cash or initiating wire transfers to VASPs via their bank accounts;
- * Criminals using Pig Butchering schemes cash out illicit financial proceeds using shell companies or crypto ATMs; and
- * In the case of VASPs, funds can be quickly transferred into criminally controlled wallets. Criminal organizations also employ money mules that open shell companies in the United States of America (USA), United Kingdom (UK) and elsewhere. They create bank accounts and virtual asset wallets where victims are tricked into sending funds to the fraudulent investment scheme.

RED FLAG INDICATORS

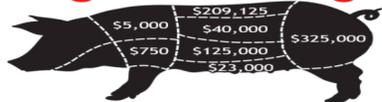
FIs

- ⇒ Individuals typically over the age of 40 with connections to countries such as Myanmar, Laos, Cambodia and Thailand. They have no financial or investment background.
- ⇒ Round dollar deposits over \$1,000.00 from individuals geographically dispersed throughout the country with no corresponding business. The deposits then increase over short periods to tens of thousands of dollars.
- ⇒ Same day outbound transfers corresponding to the funds from potential victims to keep daily balance at near zero.
- ⇒ Victims move money in round figures out of their account(s) for example, \$1,000.00 or \$5,000.00.
- ⇒ Trafficked persons may empty and close their accounts prior to moving overseas.

VASPs

- ⇒ Individual transfers virtual currency to one wallet's address and then it is immediately moved to a common wallet often holding \$10-\$20 million on average.
- ⇒ A new customer with no experience in virtual currencies begins sending numerous transfers in large amounts to the same wallet.
- ⇒ Criminals use common laundering methods like mixing services to attempt to disguise the flow of funds.
- ⇒ Wallets receiving transfers from victims and initiating same-day outbound transfers to keep the daily balance near zero.
- ⇒ Funds being cashed out using different methods including transfers to VASPs, gambling sites and over the counter crypto traders.

"Pig Butchering"



A Man Who lost \$1 Million to a Cryptocurrency "Super Scam" called "Pig Butchering".

A Bay Area man's 270,000+ word WhatsApp conversation with a con artist uncovers the devastating workings of a particular type of investment fraud. Cy received a message on WhatsApp out of the blue. "Jessica" informed him that she had located his phone number in her contacts list and was contacting him because she believed they could be former coworkers. Cy, a 52-year-old Bay Area resident, did not remember her, but he thought she was nice, friendly and interesting. She uploaded photos of her meals. They spoke about their shared love of sushi and Cy found the discussion enjoyable enough to get in touch with her again the next day.

The conversations soon shifted to a more personal tone. Cy spoke to Jessica about his financial difficulties, his dying father, and the issues he was having with placing his father in hospice care. That was in October and by late December, Cy had been duped out of more than \$1 Million Dollars, of which more than a quarter of that amount was borrowed. Cy's finances were in shambles because he had been "Pig Butchered".

"Pig Butchering" is a long-game financial fraud in which the targets, or "Pigs" are "butchered" by con artists who persuade them to invest increasing amounts on cryptocurrency powered trading platforms. These false platforms are made to look authentic and trick the "pig" into thinking his/ her investments are reaping huge rewards, until the fraudster vanishes with all of the "pigs'" money.

Examples of controls and mitigating activities to identify Pig Butchering may include the following:

1. Enhanced scrutiny on Know Your Customer (KYC) requirements for new clients creating accounts for investment businesses.
2. Applying Enhanced Due Diligence (EDD) to business relationships and transactions with natural/legal persons with higher risk transactions conducted through popular Pig Butchering regions.
3. Contacting recipients of outbound transactions to raise awareness of scams and seek clarity to ensure transfers are for legitimate purposes.
4. Implement behavioural analysis techniques to detect and report deviation from normal customer behaviour to mitigate risk and protect customers from becoming victims of fraud.
5. Implement appropriate training for all relevant employees to increase awareness of suspicious activity and red flags relative to Pig Butchering.

To effectively tackle fraud including Pig Butchering, FIs and VASPs should assess their potential exposure to this typology. There must be collaboration between law enforcement agencies through information sharing on findings and investigations. The public and private sectors must also continue to work together to share information and report any suspicious activity to the Financial Intelligence Unit (FIU).

Sources:

Homeland Security Investigations HIS and ACAMS Alert: Pig Butchering. Issue # 40 April 2023.

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