



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

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DFPI Launches Crackdown on Crypto Asset-Fueled Ponzi and Pyramid Schemes

SACRAMENTO – The Department of Financial Protection and Innovation (DFPI) announced today that it has issued desist and refrain orders against 11 different entities for violations of California securities laws.

Each of the 11 entities allegedly offered and sold unqualified securities and ten of them also made material misrepresentations and omissions to investors. Nine of these entities solicited funds from investors to purportedly trade crypto assets on behalf of the investors. One of the entities solicited crypto assets to develop metaverse software and one entity claimed to be a decentralized finance, or DeFi, platform.

The entities are all alleged to have used investor funds to pay purported profits to other investors, in the manner of a Ponzi scheme. Furthermore, each of the entities had a referral program that operated in the manner of a pyramid scheme. The entities promised to pay investors commissions if they recruited new investors, and additional commissions if the investors that they recruited, in turn, recruited new investors. The referral programs achieved their desired effect, incentivizing investors to create and post content to social media websites, such as YouTube, to entice others to invest in these entities.

The entities in today's actions are classic examples of high yield investment programs (HYIPs). These are investment frauds that typically promise high returns with low risk and overly consistent returns, provide little details about the people running the HYIP, use vague language to describe how the HYIP makes money, offer referral bonuses, facilitate deposits and withdrawals with crypto assets, and use social media to gain attention and attract investors. These schemes often target the latest investment vehicle of opportunity and have previously targeted oil and gas investments, cannabis investments, and others.

“The DFPI will continue to protect California consumers and investors from crypto scams and frauds,” said DFPI Commissioner Clothilde Hewlett. “These actions not only protect consumers, but also ensure California remains the premier global location for responsible crypto asset companies to start and grow.”

On May 4, 2022, Governor Gavin Newsom signed an [executive order](#) to foster responsible innovation, bolster California's innovation economy, and protect consumers. The executive order, among other things, directs the DFPI to initiate enforcement actions to stop violations of relevant consumer financial laws and to increase Californians' awareness of the benefits and risks associated with crypto asset-related financial products and services.

The subjects of today's desist and refrain orders are the following entities:

- [Cryptos OTC Trading Platform Limited d/b/a COTP](#) – purported crypto asset trading platform
- [Elevate Pass LLC](#) – purported crypto asset advertising and trading platform
- [GreenCorp Investment LLC](#) – purported crypto asset trading platform
- [Metafiyielders Pty Ltd d/b/a Metafi Yielders](#) – purported DeFi platform
- [Pegasus](#) – purported crypto asset trading platform
- [Polinur ME Limited](#) – purported metaverse software development company
- [Remabit](#) – purported crypto asset trading platform
- [Sity Trade](#) – purported crypto asset trading platform
- [Sytrex Trade](#) - purported crypto asset and forex trading platform
- [Vexam Limited](#) - purported crypto asset trading platform
- [World Over the Counter Limited d/b/a World OTC](#) - purported crypto asset trading platform

[Learn more](#) about HYIPs and the red flags to watch out for.

The DFPI encourages consumers who have experienced unfair, unlawful, deceptive, and abusive practices from a financial service provider to file a complaint with the Department online: <https://dfpi.ca.gov/file-a-complaint/>.

The California Department of Financial Protection and Innovation licenses and regulates financial products and services, including state-chartered banks and credit unions, student loan servicers, commodities and investment advisers, money transmitters, the offer and sale of securities, broker-dealers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, Property Assessed Clean Energy (PACE) program administrators, the offer and sale of franchises, debt collectors, credit repair companies, consumer credit reporting agencies, debt relief companies, and more.

For more information about the DFPI, visit their website at <https://dfpi.ca.gov/>.

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