



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

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

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Contact:

DFPI.media@dfpi.ca.gov

DFPI Orders CryptoFX LLC to Halt Operations, Citing Violations of California Securities Law

Scams Targeted Latino Community Via Multi-Level Marketing Scheme

SACRAMENTO - The Department of Financial Protection and Innovation (DFPI) announced today that it has issued [a desist and refrain](#) order against CryptoFX LLC (CryptoFX) and two of its promoters for violating California securities laws by offering and selling unqualified securities and making material misrepresentations and omissions to investors.

With today's order, the DFPI has ordered the company to stop soliciting investments and making misrepresentations about returns in the state of California.

Beginning in February 2022, CryptoFX, also known as CryptoFX Academy, CryptoFX Learning Academy, CFX Lifestyle Academy, CFX Academy, and CFX, targeted the Latino community for its investment scheme. Using word-of-mouth solicitations, in-person meetings, and a recruitment network, promoters solicited investors to give their money to CryptoFX to purportedly invest in crypto assets. CryptoFX operated as a classic affinity fraud.

CryptoFX represented to investors and potential investors that they could expect a return on their crypto asset investment every three months. Based on these representations, victims gave cash payments ranging from \$5,000 to \$20,000 to CryptoFX promoters to invest on their behalf. CryptoFX also claimed to provide educational classes to empower the Latino community to build wealth through crypto asset trading.

To maximize investor recruitment, CryptoFX used a "referral program" that operated as a multi-level marketing scheme. Through its "referral program," CryptoFX paid "referral bonuses" to investors who recruited new investors. These referral bonuses were derived from a fixed percentage of the newly recruited investor's payment. The "referral program" achieved its desired effect, incentivizing numerous investors to recruit friends, family, and other community members to make payments to CryptoFX.

Based on dozens of complaints filed with DFPI, the Commissioner found that CryptoFX defrauded individuals by failing to provide the promised returns on their purported investments. Despite multiple requests, investors have not had their funds returned. As a result, CryptoFX investors have suffered substantial financial losses.

The DFPI's desist and refrain order issued today is one of many enforcement actions taken in the past year to protect consumers from crypto scams and frauds. Entities engaging in these investment schemes go to great lengths to appear as if they are legitimate businesses, using professional websites and social media to generate interest and tout successful investment returns. After recruiting multiple investors and collecting thousands of dollars, these entities cease operations and stop responding to investors, leaving victims with no recourse to recover their investments.

Learn more about CryptoFX and the red flags to watch out for [on the DFPI website](#).

Report Scams and Fraud to DFPI

The DFPI expects any person offering securities, lending, or other financial services in California to comply with our financial laws. Investors may file a complaint directly with the DFPI if they suspect a company of using unlawful, unfair, deceptive, or abusive practice online (dfpi.ca.gov/file-a-complaint) or call toll-free at (866) 275-2677.

About DFPI

The DFPI protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at dfpi.ca.gov.

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