How The Genius Act May Aid In Fight Against 'Pig Butchering'

By **Arlo Devlin-Brown and Timothy Treanor** (August 25, 2025)

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The cryptocurrency revolution promises financial innovation, but scammers also rely on crypto to steal billions from unsuspecting victims worldwide.

With stablecoins ballooning to the equivalent almost 10% of U.S. currency in circulation, these digital tokens pegged to fiat currency have become a preferred vehicle for fraudsters as well as legitimate actors to transfer funds internationally.[1]

The recently enacted Genius Act represents a watershed moment in the fight against crypto fraud, providing law enforcement and private attorneys alike with powerful new tools to freeze and recover stolen funds that are transferred via stablecoins, particularly in so-called pig butchering operations carried out from abroad.

Much depends on still-to-be enacted regulations implementing the new law, but the new law delivers a measure of hope in addressing this scourge.

The Use of Stablecoins in Pig Butchering Schemes

Online scams have become an industry unto themselves. In factory-like compounds across Cambodia, Myanmar and Laos, as many as 200,000 workers toil in so-called pig butchering operations — so named because scammers "fatten up" victims through small acts that earn trust before using that goodwill to fleece them.[2]

These workers, many of whom were lured to these places by promises of legitimate customer service jobs, spend their days texting and calling targets worldwide. The schemes follow a predictable pattern: Build trust after seemingly innocent and casual contact — sometimes "accidental" texts to the "wrong number"; induce transfers of fiat or, increasingly, cryptocurrency; and then vanish with the funds.

Consumers are estimated to have lost over $75 billion in these schemes over the last four years.[3]

Scam factories have increasingly favored stablecoins for the same reasons legitimate businesses do: They don't radically fluctuate in value like many cryptocurrencies, yet they can be readily transferred across blockchains, converted to other cryptocurrencies, withdrawn as fiat currency, or laundered through complex chains of transactions.[4]

This stability combined with the pseudo-anonymous nature of blockchain transactions creates an ideal medium for moving illicit proceeds from unsuspecting consumers to criminal rings around the world.

Recovering stolen crypto funds has been extraordinarily difficult. Stablecoin providers have not been required to have the technical capacity to freeze funds or transfer them without the consent of the wallet holder.

And no law has required stablecoin providers issuing tokens traded in the U.S. to police suspicious transactions or obey law enforcement requests — much less court orders in civil case cases — to remit stolen funds to fraud victims.

This is not to say responsible stablecoin issuers never cooperate, but they have done so by grace and on their terms, and there is no guarantee that upstart issuers will do even that.

The Anti-Fraud Provisions of the Genius Act

The Genius Act, signed into law by President Donald Trump on July 18, fundamentally alters this landscape. The act requires all stablecoins issued in the U.S. or traded on U.S. exchanges to comply with comprehensive regulations meant to enhance consumer confidence that stablecoins are safe digital alternatives to fiat currency and encourage their adoption across the crypto economy.

The act contains several provisions that should help both law enforcement and private actors recover funds on the blockchain.

First, the act designates stablecoin issuers as financial institutions subject to Bank Secrecy Act requirements.[5] It affirmatively states that stablecoin issuers "shall be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification and due diligence" and goes on to detail specific requirements.[6]

By bringing stablecoin issuers under the same regulatory umbrella as traditional financial institutions, the act should make regulated stablecoins significantly less attractive to fraudsters in the first place.

Second, the act mandates that stablecoin providers maintain "technical capabilities, policies, and procedures to block, freeze, and reject" specifically identified transactions as well as any transactions that violate federal or state law.[7]

This transforms a voluntary capacity that different stablecoin issuers maintained to varying degrees into a licensing prerequisite. No approved issuer will be able to claim that, much as it would like to — its hands are tied by the technical constraints that by either happenstance or intent limit the issuer's control over these tokens.

Third, the act expressly requires stablecoin issuers to obey U.S. court orders directing issuers "to seize, freeze, burn, or prevent the transfer of payment stablecoins."[8]

While the terms "freeze" and "burn" are not defined in the act, they are generally understood in the industry. Freezing a token means preventing anyone from accessing it, and burning a token means destroying it altogether.[9]

Burning a token enables a stablecoin provider to then reissue the token to the party prevailing in the court order, at no loss to itself.

This gives issuers the ability to nullify theft even after funds have moved through multiple addresses, including so-called cold wallets protected by private keys and beyond the control of any exchange.

Crucially, the requirement is to obey such orders in civil cases as well as government actions, which is crucial for expanding recovery options beyond law enforcement agencies that lack resources to pursue every case.

Implementation Challenges and Remaining Risks

Despite these promising developments, several challenges temper our optimism. For one thing, the Genius Act's implementation timeline stretches over multiple phases, with key provisions not taking effect immediately. The act itself will not go into effect until the earlier of 18 months or the 120 days after regulators have issued final implementing regulations.

The good news is that the leading stablecoin issuers will likely take steps to move toward full compliance even before the law is in full effect. More problematically, the act's restrictions on transacting in noncompliant stablecoins will not go into effect until three years after the law's enactment.[10]

This long and slow rollout may be necessary given the novel territory of these regulations, but consumers may be lulled into the false security that stablecoin transactions are safe well before they actually are.

In addition, the robustness of Bank Secrecy Act and anti-money laundering compliance programs remains uncertain. The act grants regulators discretion in tailoring requirements to "the size and complexity of permitted payment stablecoin issuers."[11]

While issuers possess far greater transaction monitoring capabilities than traditional banks — able to track not just initial transfers but also entire chains of secondary market transactions — regulators may be concerned that overly burdensome requirements could stifle adoption.

What is actually required of stablecoin issuers and how protective these regulations are to consumers therefore remains to be seen.

Finally, even as the regulated stablecoin industry becomes more compliant, sophisticated criminals will inevitably seek workarounds. They may divert transfers to noncompliant stablecoins that don't directly access U.S. markets but remain obtainable through decentralized exchanges or secondary markets.

And of course the increasing adoption of compliant stablecoins and any expected boom in stablecoin transactions will likely give rise to entirely new sorts of scams designed to capitalize on the popularity and perceived security of the asset.

A Final Assessment

None of these open questions and limitations, though, should detract from the main point: The Genius Act is an important step in the fight against scammers. Stablecoin transactions have served as a backbone of their operations, and the act will make it easier to fight back.

We understand that the battle against financial crime is never definitively won; it's an ongoing arms race between enforcement and evasion. The Genius Act will not eliminate pig butchering schemes or other online frauds, but it significantly raises the stakes and costs for criminals seeking to steal and launder victim funds through regulated stablecoins.

At the same time, the act lowers barriers for victims seeking to recover funds on the blockchain. Law enforcement, civil attorneys and consumers should welcome the protections the Genius Act provides even while other legislative solutions are pursued to tackle the scam factories preying on the American consumer.

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[1] https://www.marketwatch.com/story/stablecoin-supply-is-growing-fast-heres-how-it-compares-to-cash-66f12bc1.

[2] https://www.wired.com/story/pig-butchering-scam-invasion/.

[3] https://time.com/6836703/pig-butchering-scam-victim-loss-money-study-crypto/.

[4] https://www.chainalysis.com/blog/money-laundering-cryptocurrency/.

[5] GENIUS Act, Section 4(a)(5)(A).

[6] Id.

[7] GENIUS Act, Section 4(a)(5)(A)(iv).

[8] Section Two of the act defines "lawful orders" to include this requirement.

[9] https://www.trmlabs.com/resources/blog/seize-burn-block-reissue-understanding-the-legal-tools-behind-crypto-asset-recovery.

[10] GENIUS Act Section 3(b)(1).

[11] GENIUS Act Section 4(a)(1)(5)(B).