

1 James B. Zouras, *pro hac vice* forthcoming
 jzouras@stephanzouras.com
 2 Ryan F. Stephan, *pro hac vice* forthcoming
 rstephan@stephanzouras.com
 3 Justin M. Caparco, *pro hac vice* forthcoming
 jcaparco@stephanzouras.com
 4 **STEPHAN ZOURAS, LLC**
 222 West Adams Street, Suite 2020
 5 Chicago, Illinois 60606
 Phone: 312-233-1550
 6

7 Matthew C. Helland, State Bar No. 250451
 helland@nka.com
 8 **NICHOLS KASTER, LLP**
 235 Montgomery Street, Ste. 810
 9 San Francisco, CA 94104
 Telephone: (415) 277-7235
 10

11 *Attorneys for Plaintiff and the Proposed Class*

12 **UNITED STATES DISTRICT COURT**
 13 **NORTHERN DISTRICT OF CALIFORNIA**

14 BRIAN CAROLUS, individually and on
 15 behalf of all others similarly situated,

16 Plaintiff,

17 v.

18 COINBASE GLOBAL, INC., COINBASE
 19 INC., and COINBASE BERMUDA
 SERVICES LIMITED,
 20

21 Defendants.

Case No.:

CLASS ACTION COMPLAINT

- 1) Violation of California’s Unfair Competition Law,
- 2) Breach of Contract, and
- 3) Unjust Enrichment.

JURY TRIAL DEMANDED

1 Plaintiff BRIAN CAROLUS (“Plaintiff”) brings this action on behalf of himself, and all
2 others similarly situated, against Defendants COINBASE GLOBAL, INC., COINBASE, INC.,
3 and COINBASE BERMUDA SERVICES LIMITED (collectively “Coinbase”). Plaintiff alleges
4 the following based upon information and belief, the investigation of counsel, and personal
5 knowledge as to the allegations pertaining to themselves.

6 **NATURE OF THE CASE**

7 1. Coinbase is a leading cryptocurrency exchange boasting a trading volume of \$468
8 billion.¹ Its stated purpose is to “increase economic freedom in the world” by “updat[ing] the
9 century-old financial system by providing a trusted platform” to trade cryptocurrencies.²

10 2. Despite this lofty goal, Coinbase is a registered “money services business” under
11 the Bank Secrecy Act and is a licensed money transmitter in nearly every state. Yet, Coinbase
12 has failed to comply with basic legal requirements, putting its users at risk of fraud.

13 3. This has fueled the rise of a new type of financial scam, known as “pig
14 butchering.” In 2023 alone, the Federal Trade Commission (“FTC”) reported losses of a
15 staggering \$10.4 billion from these types of scams, with that number only growing in 2024.³
16 Coinbase could have prevented many of these scams by simply complying with its legal
17 obligations imposed by laws designed to curb this very conduct. Its failure to do so has led to
18 significant financial and emotional harm for numerous individuals who have fallen victim to
19 fraud.

20 4. To make matters worse, Coinbase has made explicit promises to its customers to
21 prevent fraudulent activity on its platform, including pledging to reverse transactions it suspects
22 of fraud. And Coinbase continues to represent itself as a “trusted” and “secure” platform to

23 ¹ Coinbase Global, Inc., *Annual Report* (Form 10-K) (February 13, 2025), at 7. Available at:
24 <https://investor.coinbase.com/financials/sec-filings/default.aspx>.

25 ² *Id.* at 8.

26 ³ *As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the*
27 *Public*, FEDERAL TRADE COMMISSION (February 9, 2025), [https://www.ftc.gov/news-](https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public)
28 [events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-](https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public)
[efforts-protect-public](https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public).

1 convince consumers to use its platform. Coinbase users are unaware of the significant risks that
2 come with using the Coinbase platform.

3 5. Plaintiff thus brings this action asserting claims of: (i) violations of California’s
4 Unfair Competition Law; (ii) breach of contract; and (iii) unjust enrichment. Plaintiff brings this
5 action on behalf of a nationwide class for damages, restitution, injunctive relief, and any other
6 relief deemed appropriate by the Court.

7 **JURISDICTION AND VENUE**

8 6. Jurisdiction of this Court is founded upon 28 U.S.C. § 1332(d) because the matter
9 in controversy exceeds the value of \$5,000,000, exclusive of interests and costs, there are more
10 than 100 Class Members, and the matter is a class action in which members of the class are
11 citizens of a different state from that of the defendants.

12 7. This Court has personal jurisdiction because Coinbase solicits customers and
13 transacts business in California. Plaintiff is also informed and believes, and thereon alleges, that
14 acts and omissions giving rise to this action occurred in California.

15 8. Venue is also proper in this District under 28 U.S.C. § 1391(b)(2) because the acts
16 and omissions giving rise to this action occurred within this District. Specifically, Coinbase
17 executives control the direction of the company in the Northern District of California, and
18 Coinbase’s business records are located primarily in this District.

19 9. Pursuant to Local Rule 3-2(d), this matter is properly assigned to the San
20 Francisco Division of this district because Plaintiff is informed and believes, and thereon alleges,
21 that this action arose in San Francisco, California.

22 **PARTIES**

23 10. Plaintiff Brian Carolus (“Carolus”) is, and at all times mentioned herein, was an
24 individual citizen of the State of California. At all relevant times, he was a resident of Los
25 Angeles County. Carolus would like to continue using Coinbase’s services in the future if and
26 when they are compliant with the law, as more fully explained below, but he cannot readily
27 determine whether Coinbase’s practices have come into compliance.
28

1 11. Defendant Coinbase Global, Inc., is a Delaware corporation that purports to have
2 no principal place of business and is a “remote-first company.”⁴ However, Coinbase maintains
3 its principal office and business records in San Francisco, where its executives direct, control,
4 and coordinate its corporate operations. Defendant Coinbase, Inc., is a wholly owned subsidiary
5 of Coinbase Global, Inc., and operates the Coinbase platform.

6 12. Defendant Coinbase Bermuda Services Limited is a wholly owned subsidiary of
7 Coinbase Global, Inc., and operates Coinbase Wallet (“Wallet”). Wallet is a “self-custody wallet”
8 that allows users to control and store a cryptocurrency’s “private key” directly on the user’s
9 device.⁵ Wallet allows users to establish a decentralized application (“Dapp”) wallet and access
10 a digital asset browser and link to decentralized exchanges (“DEXs”). Coinbase users can only
11 use Dapp and access DEX’s through the Wallet platform.

12 **FACTUAL ALLEGATIONS**

13 **I. Pig Butchering Scams are Wreaking Financial Havoc on Unsuspecting Consumers.**

14 13. American consumers lost a staggering \$10 billion to scams in 2023 alone,
15 according to reports to the Federal Trade Commission (“FTC”).⁶ Other studies estimate losses
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21 ⁴ *Post COVID-19, Coinbase Will be a Remote-First Company*,
22 <https://www.coinbase.com/blog/post-covid-19-coinbase-will-be-a-remote-first-company> (last
accessed February 3, 2025).

23 ⁵ *What’s the difference between Coinbase.com and Coinbase Wallet?*,
24 [https://help.coinbase.com/-en/wallet/getting-started/what-s-the-difference-between-coinbase-
com-and-wallet](https://help.coinbase.com/-en/wallet/getting-started/what-s-the-difference-between-coinbase-com-and-wallet) (last accessed February 3, 2025).

25 ⁶ *As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the*
26 *Public*, FEDERAL TRADE COMMISSION (February 9, 2025), [https://www.ftc.gov/news-
events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-
efforts-protect-public](https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public).
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1 top \$1.03 *trillion* globally.⁷ These numbers are likely underestimated, since the “vast majority of
2 frauds are not reported.”⁸

3 14. Scams were not always this rampant. In 2020, for example, the FTC reported total
4 losses from imposter and investment scams at a comparatively modest \$1.6 billion.⁹ In the first
5 three quarters of 2024, those same losses are reported to be \$6 billion—on track to top \$8
6 billion—a *400% increase in just four years*.¹⁰

7 15. A new type of cyber-crime, coined “pig butchering,” is primarily responsible for
8 this increase.¹¹ The FTC characterizes pig butchering scams as “investment” or “imposter” fraud.
9 In 2023, investment scams accounted for \$4.8 billion of the reported losses, with an average loss
10 of \$8,000; imposter scams accounted for \$2.7 billion, with average losses of \$800.¹² The
11 magnitude of these losses are increasing exponentially. In the first three quarters of 2024 alone,
12 consumers lost \$3.9 billion to investment scams and \$2.1 billion to imposter scams—with an
13 average loss of \$9,170 and \$800 respectively.¹³

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15 _____
16 ⁷ Betty Lin-Fisher, *Scam losses worldwide this year are \$1 trillion*, USA TODAY (November 7,
17 2024), <https://www.usatoday.com/story/money/2024/11/07/scam-victims-1-trillion-losses/75-967565007/>.

18 ⁸ Emma Flecher, *Social media: a golden goose for scammers*, FEDERAL TRADE COMMISSION
19 (October 6, 2023), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2023/10/social-media-golden-goose-scammers#2>.

20 ⁹ *The Big View: All Sentinel Report*, FTC CONSUMER SENTINEL NETWORK (Year: 2020;
21 Quarter: All), <https://public.tableau.com/app/profile/federal.trade.commission/viz/TheBig-ViewAllSentinelReports/TopReports> (last updated November 8, 2024).

22 ¹⁰ *Id.* (Year: 2024; Quarter: All).

23 ¹¹ *Crypto Scam Revenue 2024: Pig Butchering Grows Nearly 40% YoY as Fraud Industry Leverages AI and Increases in Sophistication*, CHAINALYSIS (Feb. 13, 2025), <https://www.chainalysis.com/blog/2024-pig-butchering-scam-revenue-grows-yoy/>

24 ¹² *Id.* (Year: 2023; Quarter: All).

25 ¹³ *Id.* (Year: 2024; Quarter: All).

1 16. Pig butchering scams follow a predictable pattern. The Financial Crimes
2 Enforcement Network (“FinCEN”) describes these scams as:

3 The victims in this situation are referred to as “pigs” by the scammers who
4 leverage fictitious identities, the guise of potential relationships, and elaborate
5 storylines to “fatten up” the victim into believing they are in trusted partnerships.
6 The scammers then refer to “butchering” or “slaughtering” the victim after victim
7 assets are stolen, causing the victims financial and emotional harm. In many
8 cases, the “butchering” phase involves convincing victims to invest in virtual
9 currency, or in some cases, over-the-counter foreign exchange schemes—all with
10 the intent of defrauding them of their investment.¹⁴

11 17. The perpetrators of pig butchering scams are often brutal and sophisticated
12 criminal syndicates, frequently located in Southeast Asia, and more recently around the world.¹⁵
13 They target unsuspecting individuals looking for work, kidnap them, then force them to work on
14 pig butchering scams in cramped conditions with limited food and water.¹⁶ If these victims fail
15 to meet their expectations, they are beaten, humiliated, electrocuted, and placed in solitary
16 confinement; there have also been reports of organ removal, sexual assault, re-trafficking into
17 the sex sector, and even punishment by death.¹⁷ Studies estimate that hundreds of thousands of
18 individuals throughout Myanmar and Cambodia are trafficked and forced to carry out these
19 illegal scams.¹⁸

20 ¹⁴ *FinCEN Alert on Prevalent Virtual Currency Investment Scam Commonly Known as “Pig*
21 *Butchering”*, FINCEN ALERT (Sept.28, 2023), [https://www.fincen.gov/sites/default/files/](https://www.fincen.gov/sites/default/files/shared/FinCEN_Alert_Pig_Butchering_FINAL_508c.pdf)
22 [shared/FinCEN_Alert_Pig_Butchering_FINAL_508c.pdf](https://www.fincen.gov/sites/default/files/shared/FinCEN_Alert_Pig_Butchering_FINAL_508c.pdf).

23 ¹⁵ United Nations, *Online Scam Operations and Trafficking into Forced Criminality in*
24 *Southeast Asia: Recommendations for a Human Rights Response*, UNITED NATIONS HUMAN
25 RIGHTS, [https://bangkok.ohchr.-org/sites/default/files/wp_files/2023/08/ONLINE-SCAM-](https://bangkok.ohchr.-org/sites/default/files/wp_files/2023/08/ONLINE-SCAM-OPERATIONS-2582023.pdf)
26 [OPERATIONS-2582023.pdf](https://bangkok.ohchr.-org/sites/default/files/wp_files/2023/08/ONLINE-SCAM-OPERATIONS-2582023.pdf) (last visited Jan. 7, 2025).

27 ¹⁶ *Id.* at 6, 14; *see also* Sui-Lee Wee, *They’re Forced to Run Online Scams. Their Captors Are*
28 *Untouchable*, THE NEW YORK TIMES (August 28, 2023), [https://www.nytimes.com/2023-](https://www.nytimes.com/2023-/08/28/world/asia/cambodia-cyber-scam.html)
29 [/08/28/world/asia/cambodia-cyber-scam.html](https://www.nytimes.com/2023-/08/28/world/asia/cambodia-cyber-scam.html); Isabelle Qian, *7 Months Inside an Online Labor*
30 *Scam Camp*, THE NEW YORK TIMES (Dec. 17, 2023), [https://www.nytimes.com/interactive/-](https://www.nytimes.com/interactive/-2023/12/17/world/asia/myanmar-cyber-scam.html)
31 [2023/12/17/world/asia/myanmar-cyber-scam.html](https://www.nytimes.com/interactive/-2023/12/17/world/asia/myanmar-cyber-scam.html)

32 ¹⁷ *Id.* at 14; *see also* Tara Siegel Bernard, *Lured by a Promising Job, He Was Forced to Scam*
33 *People*, THE NEW YORK TIMES (Sep. 10, 2024), [https://www.nytimes.com/2024/-](https://www.nytimes.com/2024/-09/10/business/scammers-trafficking-cybercrime.html)
34 [09/10/business/scammers-trafficking-cybercrime.html](https://www.nytimes.com/2024/-09/10/business/scammers-trafficking-cybercrime.html).

1 18. While online scams have a long history in Southeast Asia, these scam
2 organizations rose to prominence through their illegal “casino and online gambling operations.”¹⁹
3 But the casinos were shut down when the pandemic hit, forcing the scam organizations to re-
4 focus their attention on online fraud.²⁰

5 19. The timing could not have been better for these criminal syndicates. The pandemic
6 forced individuals to isolate themselves and thus spend more time online. Many victims were
7 lonely and seeking connections on dating apps, where they would stumble upon a profile
8 displaying a lavish lifestyle.²¹ These profiles look extremely realistic because the fraudsters
9 utilize photos and videos stolen from data hacks and leaks.²² Once the fraudster and victim match,
10 the fraudsters use pre-written scripts designed to create emotional reactions and nurture the
11 victim’s dependence on the scam.²³ The fraudster will then introduce investing in some obscure
12 crypto venture with the promises of extravagant returns, only for the victim to lose everything.
13 Unfortunately, stories like these are all too common.²⁴

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15 ¹⁸ *Id.* at 6; *see also* Lily Hay Newman, Matt Burgess, *The Pig Butchering Invasion Has Begun*,
16 WIRED (Sep. 30, 2024), <https://www.wired.com/story/pig-butchering-scam-invasion/>.

17 ¹⁹ *Id.* at 5.

18 ²⁰ *Id.* at 6.

19 ²¹ *See, e.g.*, Kevin Roose, *Crypto Scammers’ New Target: Dating Apps*, NEW YORK TIMES
20 (February 21, 2022), <https://www.nytimes.com/2022/02/21/technology/crypto-scammers-new-target-dating-apps.html>.

21 ²² Isabelle Qian, *7 Months Inside an Online Labor Scam Camp*, THE NEW YORK TIMES (Dec.
22 17, 2023), <https://www.nytimes.com/interactive/-2023/12/17/world/asia/myanmar-cyber-scam.html>

23
24 ²³ *Id.*; *see also* *How to Stay Safe When Having Conversations Online*, NATIONAL COUNCIL ON
25 AGING (May 7, 2024), <https://www.ncoa.org/article/how-to-stay-safe-when-having-conversations-online/>.

26 ²⁴ *Id.*; *see also* Emily Schamll, *Retirees Are Losing Their Life Savings to Romance Scams. Here’s What to Know*, THE NEW YORK TIMES (Feb. 3, 2023), <https://www.nytimes.com/2023/02/03/business/retiree-romance-scams.html>.

1 20. The pandemic also coincided with the rise of crypto—many scam victims were
2 interested in these potential returns. Fraudsters used targeted advertisements on Google,
3 YouTube, Facebook, TikTok, etc., to connect with the crypto-curious. Many of the ads featured
4 AI-generated celebrity endorsements, such as Steve Wozniak, Elon Musk, or Bill Gates.²⁵ The
5 advertisements typically lead to a realistic or spoofed website or app, where information about
6 the crypto venture could be found. Additional information about these supposed crypto ventures
7 can be found through Google searches, which often display phony international business
8 registrations. They are also frequently supported by fervent groups of supposed investors on
9 social media sites like Facebook, Telegram, or Discord. In these groups, individuals share their
10 success stories and give tips on how to best maximize their returns.

11 21. Once a victim begins investing, they see immediate returns. But some victims
12 remain skeptical; sophisticated scam enterprises allow the victims to withdraw their supposed
13 earnings to win their trust, tricking them into investing even more. Victims invest hundreds,
14 thousands, sometimes up to millions before they attempt to withdraw their money. But once a
15 victim tries to withdraw a substantial portion of their supposed earnings, the fraudsters explain
16 that a tax or fee must be paid. Many victims realize they have been scammed here, but some are
17 so desperate they send additional money, only to realize they will not recover any of it.

18 22. The aftermath is devastating. Victims often lose their life savings; some victims
19 report their losses to be in the millions. Some victims are forced to declare bankruptcy or sell
20 their home to finance their newly realized debt.²⁶

23 ²⁵ See, e.g., Ethan Baron, *Apple co-founder Steve Wozniak wins latest round in lawsuit vs.*
24 *YouTube over Bitcoin scam*, SEATTLE TIMES (March 21, 2024), [https://www.seattletimes.com/](https://www.seattletimes.com/business/apple-co-founder-steve-wozniak-wins-latest-round-in-lawsuit-vs-youtube-over-bitcoin-scam/)
25 [business/apple-co-founder-steve-wozniak-wins-latest-round-in-lawsuit-vs-youtube-over-bitcoin-scam/](https://www.seattletimes.com/business/apple-co-founder-steve-wozniak-wins-latest-round-in-lawsuit-vs-youtube-over-bitcoin-scam/).

26 ²⁶ See, e.g., Jason Knowles, *Woman loses nearly \$1 million life savings in 'pig butchering'*
27 *scam*, ABC7 NEW YORK (September 9, 2024), [https://abc7ny.com/post/woman-living-illinois-](https://abc7ny.com/post/woman-living-illinois-loses-1-million-life-savings-pig-butchering-scam-forced-sell-home-belongings/15271332/)
28 [loses-1-million-life-savings-pig-butchering-scam-forced-sell-home-belongings/15271332/](https://abc7ny.com/post/woman-living-illinois-loses-1-million-life-savings-pig-butchering-scam-forced-sell-home-belongings/15271332/).

1 23. The psychological effects are hidden, but equally real. Research confirms that
2 victims suffer significant psychological impacts, including depressive symptoms, shame,
3 embarrassment, shock, anger, guilt, and worry.²⁷ Other studies show that victimization can result
4 in physical health problems.²⁸

5 **II. Coinbase is Required to Comply with Laws Designed to Prevent Financial Fraud**
6 **like Pig Butchering.**

7 24. Federal and state legislatures have enacted laws and regulations designed to
8 “prevent, detect, and prosecute. . . financial frauds that prey on law-abiding citizens.” *See* USA
9 Patriot Act of 2001, 107 P.L. 56, 115 Stat. 272, 296; *see also, e.g.*, Cal. Fin. Code § 2002.

10 25. These laws require financial institutions to verify customer identity and establish
11 procedures to report suspicious activity—commonly referred to as know your customer (“KYC”)
12 and anti-money laundering (“AML”) procedures.

13 26. These laws mandate that financial institutions implement “reasonable procedures”
14 to verify the identity of their customers “to the extent reasonable and practicable.” 31 USCA §
15 5318(1)(2). At a minimum, this must include the customer’s “name, address, and other identifying
16 information.” *Id.*

17 27. In certain circumstances, money services businesses must record and verify the
18 identity of both parties to a transaction. 31 C.F.R. § 1022.312. This is triggered when, for
19 example, the exchange of currency through a financial institution exceeds \$10,000. *See* 31 C.F.R.
20 § 1010.311. The verification and recording process should identify the account number and
21 identification number: either a social security number, taxpayer identification number, passport
22 number, alien identification card, or “other official document evidencing nationality or
23 residence.” *Id.*

24 ²⁷ Jacqueline M. Drew, Julianne Webster, *The victimology of online fraud: A focus on romance*
25 *fraud victimization*, THE JOURNAL OF ECONOMIC CRIMINOLOGY (March 2024), <https://www.sciencedirect.com/science/article/pii/S2949791424000058#bib9>.

26 ²⁸ Cassandra Cross, *‘They’re Very Lonely’: Understanding the Fraud Victimization of Seniors*,
27 INTERNATIONAL JOURNAL FOR CRIME, JUSTICE, AND SOCIAL DEMOCRACY (Dec. 1, 2016),
28 <https://www.sciencedirect.com/science/article/pii/S2949791424000058#bib9>.

1 28. Money services businesses must also report suspicious activity. 31 C.F.R. §
2 1022.320. The reporting requirement is triggered when a transaction “involves or aggregates” at
3 least \$2,000 and the financial institution “has reason to suspect” the transaction:

4 (iii) Serves no business or apparent lawful purpose, and the reporting money
5 services business knows of no reasonable explanation for the transaction after
6 examining the available facts, including the background and possible purpose of
7 the transaction.

8 (iv) Involves use of the money services business to facilitate criminal activity.²⁹

9 29. In September 2023, FinCEN issued a notice describing the mechanics of pig-
10 butchering scams and reminding financial institutions of their obligation to report suspicious
11 activity. The notice highlighted 15 red flags for institutions to monitor; several are especially
12 relevant here:

13 (1) A customer with no history or background of using, exchanging, or otherwise
14 interacting with virtual currency attempts to exchange a high amount of fiat
15 currency from an existing or newly opened bank account for virtual currency...

16 (4) A customer appears distressed or anxious to access funds to meet demands or
17 the timeline of a virtual currency investment opportunity.

18 (7) A customer receives what appears to be a deposit of virtual currency from a
19 virtual currency address at or slightly above the amount that the customer
20 previously transferred out of their virtual currency account. This deposit is then
21 followed by outgoing transfers from the customer in substantially larger amounts.

22 (8) Accounts with large balances that are inactive or have limited activity begin
23 to show constant, uncharacteristic, sudden, abnormally frequent, or significant
24 withdrawals of large amounts of money being transferred to a VASP or being
25 exchanged for virtual currency.

26 (10) A customer with a short history of conducting several small-value EFTs to a
27 VASP abruptly stops sending EFTs and begins sending multiple high-value wire
28 transfers to accounts of holding companies, limited liability corporations, and
individuals with which the customer has no prior transaction history. This is
indicative of a victim sending trial transactions to a scammer before committing
to and sending larger amounts.

(11) System monitoring and logs show that a customer’s account is accessed
repeatedly by unique IP addresses, device IDs, or geographies inconsistent with
prior access patterns. Additionally, logins to a customer’s online account at a

²⁹ 31 C.F.R. § 1022.320(a)(2).

1 VASP come from a variety of different device IDs and names inconsistent with
2 the customer’s typical logins.

3 30. Coinbase acknowledges it is a “money services business” subject to these laws
4 and is registered with FinCEN.³⁰ Coinbase also acknowledges that its services are “money
5 transmission services” in many jurisdictions, thus requiring that Coinbase maintain a license in
6 those jurisdictions.³¹ Yet, Coinbase does not maintain a money transmission license in California,
7 despite performing these services.³²

8 31. Accordingly, Coinbase is improperly providing unlicensed money transmission
9 services in California.

10 **III. Coinbase Voluntarily Adopted Contractual Terms Providing Greater Protection
11 Than Those Mandated by State and Federal Law.**

12 32. When a Coinbase customer creates a Coinbase account, they must review and
13 agree to the Coinbase User Agreement. This agreement applies to “coinbase.com, Coinbase’s
14 APIs, the Coinbase mobile application, or any other Coinbase website (collectively the “Coinbase
15 Site”)” and requires that the customer agree to Coinbase’s “Prohibited Use Policy.”³³

16 33. The Coinbase User Agreement acknowledges its legal obligations to verify
17 customer identity and report suspicious activity. It also went further by offering additional
18 protection to its customers. For example, the User Agreement states that Coinbase “will reverse”
19 transactions it suspects “involve money laundering, terrorist financing, fraud, or any other type
20 of financial crime; be erroneous; or relate to a Prohibited Use or a Prohibited Business as set
21 forth in the Prohibited Use Policy.”

22 34. The Prohibited Use Policy forbids users from engaging in any of the following:

23 ³⁰ Coinbase 10-K, *supra*, at 15.

24 ³¹ *Id.* at 15.

25 ³² *Licenses*, WWW.COINBASE.COM, <https://www.coinbase.com/legal/licenses> (last accessed
26 January 29, 2025).

27 ³³ *Coinbase User Agreement*, WWW.COINBASE.COM (last updated Feb. 25, 2025), [https://-](https://www.coinbase.com/legal/user_agreement/united_states)
28 www.coinbase.com/legal/user_agreement/united_states (last accessed February 3, 2025).

1 **Unlawful Activity:** Activity which would violate, or assist in violation of, any
2 law, statute, ordinance, regulation, or sanctions programs administered in the
3 countries where Coinbase conducts business, including but not limited to the
4 U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), or
5 which would involve proceeds of any unlawful activity; publishing, distributing
6 or disseminating any unlawful material or information.

7 **Fraud:** Activity which operates to defraud Coinbase, Coinbase users, or any
8 other person; provide any false, inaccurate, or misleading information to
9 Coinbase.³⁴

10 In addition, Coinbase's Prohibited Use Policy explicitly prohibits certain categories of businesses
11 from using Coinbase services. This includes:

12 **Unfair, predatory or deceptive practices:** Investment opportunities or other
13 services that promise high rewards; sale or resale of a service without added
14 benefit to the buyer; resale of government offerings without authorization or
15 added value; sites that we determine in our sole discretion to be unfair,
16 deceptive, or predatory towards consumers.³⁵

17 35. Coinbase also acknowledges that it is a "regulated financial service company" that
18 must "remain in compliance with KYC/AML laws in the jurisdictions in which we operate" to
19 continue operating.³⁶ Accordingly, Coinbase verifies customer identity and monitors transactions
20 to "protect Coinbase and the community from fraudulent users..."³⁷

21 36. Coinbase also "may cancel or refuse to process any pending Outbound Digital
22 Asset Transfers as required by law" or might require its user "wait some amount of time after
23 completion of a transaction before permitting you to use further Coinbase Services and/or before
24 permitting you to engage in transactions beyond certain volume limits."³⁸

25 _____
26 ³⁴ *Coinbase Prohibited & Conditional Use Policy*, WWW.COINBASE.COM (effective Jan. 31,
27 2022), https://www.coinbase.com/legal/prohibited_use.

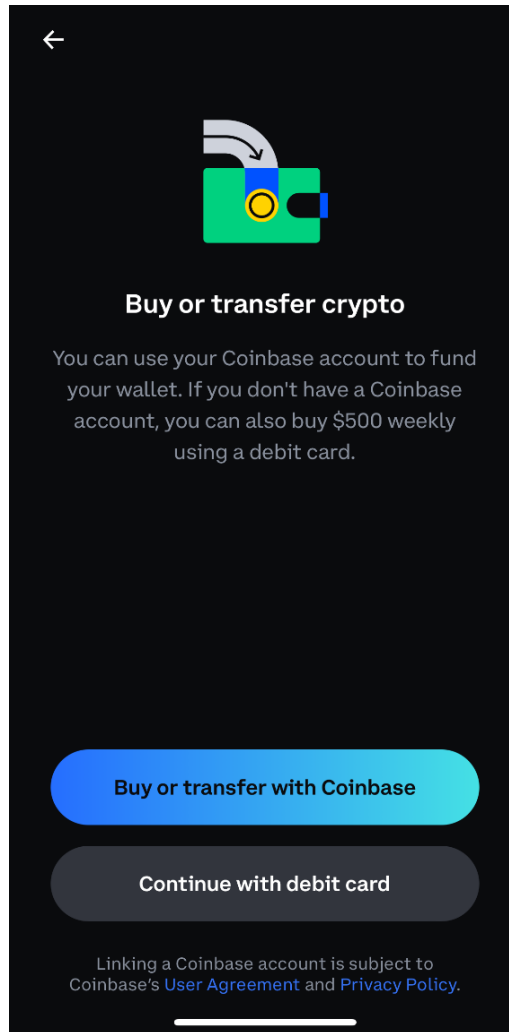
28 ³⁵ *Id.*

³⁶ *Coinbase User Agreement, supra*, at Appendix 1: Verification Procedures and Limits.

³⁷ *Id.*

³⁸ *Id.* at Sections 4 and 6, and Appendix 4.

1 37. Coinbase Wallet (“Wallet”) is a Coinbase mobile application and website, and so
 2 its use is governed by Coinbase’s User Agreement.³⁹ In addition, Wallet’s terms of service state
 3 that “[y]our relationship with any given Wallet provider is governed by the applicable terms of
 4 that Wallet provider, not these Terms.”⁴⁰ If a user becomes aware of fraud on Wallet, they are
 5 directed to report it to Coinbase’s main platform: <https://help.coinbase.com>.⁴¹ And when a Wallet
 6 user links their Coinbase account, they are required to re-agree to Coinbase’s User Agreement:

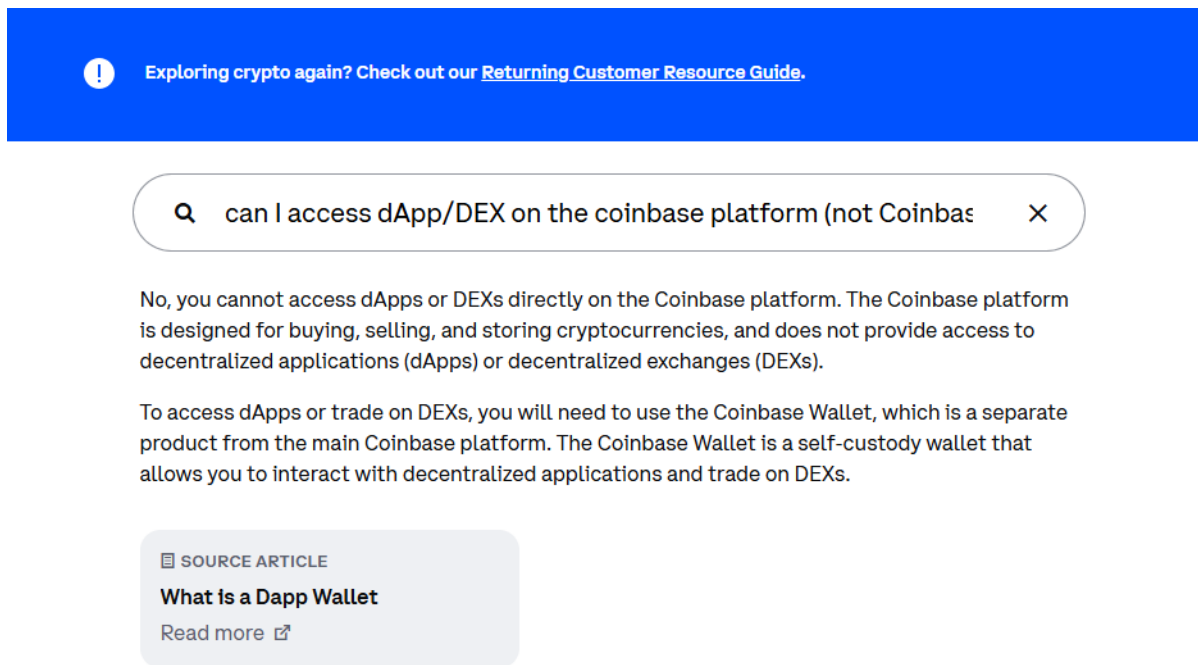


24 ³⁹ Coinbase User Agreement, *supra*.

25 ⁴⁰ *Coinbase Wallet Dapp Terms of Service*, WWW.WALLET.COINBASE.COM (last updated October
 26 9, 2024), <https://wallet.coinbase.com/dapp-terms-of-service>.

27 ⁴¹ *Coinbase Wallet Terms of Service*, WWW.WALLET.COINBASE.COM (last updated October 8,
 28 2024), <https://wallet.coinbase.com/terms-of-service>.

1 38. Wallet is a “self-custody wallet” that allows users to control and store a
 2 cryptocurrency’s “private key” directly on the user’s device.⁴² Wallet allows users to establish a
 3 decentralized application (“Dapp”) wallet and access a digital asset browser and link to
 4 decentralized exchanges (“DEXs”). Coinbase users can only use Dapp and access DEX’s through
 5 the Wallet platform:



17

18 39. Coinbase’s User Agreement contains provisions relating to its “Dapp Wallet,
 19 DEXes, and Decentralized Applications”—*i.e.*, Coinbase Wallet.⁴³ Coinbase reserves the right
 20 to “determine types of Digital Assets that will be supported or cease to be supported.”⁴⁴

21 40. Coinbase further claims it “may cancel or refuse to process any pending Dapp
 22 Wallet Outbound Transfers as required by law or any court or other authority to which Coinbase
 23 is subject in any jurisdiction. Additionally, we may require you to wait some amount of time after

24 ⁴² *What’s the difference between Coinbase.com and Coinbase Wallet*,
 25 [https://help.coinbase.com/en-/wallet/getting-started/what-s-the-difference-between-coinbase-
 26 com-and-wallet](https://help.coinbase.com/en-/wallet/getting-started/what-s-the-difference-between-coinbase-com-and-wallet) (last accessed February 3, 2025).

27 ⁴³ Coinbase User Agreement, *supra*.

28 ⁴⁴ *Id.*

1 completion of a transaction before permitting you to use further Coinbase Services and/or before
2 permitting you to engage in transactions beyond certain volume limits.”⁴⁵

3 **IV. Coinbase Eschewed its Legal and Contractual Duties in Pursuit of Higher Profits.**

4 41. Coinbase fails to comply with its legal duty to verify accounts and report
5 suspicious activity and thus fails to honor its contractual promise to combat fraud.

6 42. In 2021, the New York State Department of Financial Services (“NYDFS”) began
7 an enforcement investigation into Coinbase’s compliance with state and federal law.⁴⁶ The
8 investigation concluded on January 4, 2023, with Coinbase agreeing to a \$100 million
9 settlement.⁴⁷ The results of the NYDFS investigation were unequivocal: Coinbase’s inadequate
10 KYC/AML procedures exposed “its platform to risk of exploitation by criminals and bad
11 actors.”⁴⁸

12 43. These failures were due, in part, to Coinbase’s “dramatic and unexpected
13 growth.”⁴⁹ From January 2020 to May 2021, customer sign-ups increased by a multiple of 15;
14 from January 2020 to November 2021, customer signups increased by a multiple of 25.⁵⁰ This
15 exponential growth, paired with already “immature and inadequate” customer verification and
16 suspicious activity reporting, “exacerbated” Coinbase’s failures.⁵¹

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19 _____
20 ⁴⁵ *Id.*

21 ⁴⁶ Consent Order, *In the Matter of Coinbase, Inc.*, at 2. Available at:
22 https://www.dfs.ny.gov/industry_guidance/-enforcement_actions.

23 ⁴⁷ *Id.* at 22-23.

24 ⁴⁸ *Id.* at 3.

25 ⁴⁹ *Id.* at 2.

26 ⁵⁰ *Id.* at 6.

27 ⁵¹ *Id.* at 13.

1 44. According to the investigators, Coinbase treated its customer verification
2 requirements “as a simple check-the-box exercise.”⁵² It also failed to conduct “enhanced due
3 diligence” on high-risk customers.⁵³ The NYDFS reports that, as of July 2022, “there were over
4 10,000 cases in the backlog for Coinbase and its affiliates” for such high-risk customers.⁵⁴
5 Coinbase asked for minimal documentation from these customers, conducted “only a cursory
6 review of the material provided,” and accepted incomplete responses.⁵⁵ Moreover, the
7 investigators claimed that Coinbase had *still* not “rationally” assigned risk ratings on accounts
8 opened before December 2020.⁵⁶

9 45. As a result of this failure, suspicious activity frequently went unrecognized. For
10 example, the NYDFS’s investigation identified a Coinbase user charged with crimes related to
11 child pornography engaging in suspicious transactions “potentially associated with illicit activity
12 without detection from Coinbase.”⁵⁷

13 46. Coinbase failed to employ an “adequate compliance staff” leading to a backlog of
14 over 100,000 unreviewed monitoring alerts by the end of 2021.⁵⁸ Coinbase attempted to “burn
15 through” this backlog by hiring over one thousand third-party contractors.⁵⁹ But, in line with its
16 past actions, Coinbase failed to provide sufficient oversight.⁶⁰ By May 2022, Coinbase retained
17 another third-party audit firm to quality check the backlog—the results were alarming. “[M]ore

18 ⁵² *Id.*

19 ⁵³ *Id.* at 5, 8, 13.

20 ⁵⁴ *Id.* at 14.

21 ⁵⁵ *Id.*

22 ⁵⁶ *Id.*

23 ⁵⁷ *Id.* at 15.

24 ⁵⁸ *Id.* at 16-17.

25 ⁵⁹ *Id.*

26 ⁶⁰ *Id.*

1 than half” of the sampled contractors failed the quality test.⁶¹ One contractor’s failure rate was
2 96%, while another contractor’s failure rate was 73%.⁶² And at the time the consent order was
3 entered, the NYDFS admitted that “the full extent of activity that was contained in Coinbase’s
4 [transaction monitoring system] has not been fully determined...”⁶³

5 47. Accordingly, the investigation concluded that “Coinbase face[s] an increased risk
6 of abuse by bad actors.” And these risks have real world consequences; the NYDFS stated that:

7 [T]he Department has identified troubling examples of suspicious conduct that
8 ***should have been identified, stopped, and (in some instances) reported to***
9 ***authorities*** but was not, at least initially, due to the backlog. This includes, among
other things, examples of possible money laundering, suspected CSAM-related
activity, and potential narcotics trafficking.⁶⁴

10 48. Because of this backlog, Coinbase failed to file suspicious activity reports as
11 required by federal law. The NYDFS “found numerous examples of SARs filed months, some
12 more than six months, after the suspicious activity was first known to Coinbase.”⁶⁵

13 49. These failures are not accidental—Coinbase’s profits are directly tied to “trading
14 activity” on its platform.⁶⁶ Coinbase thus made a calculated choice to ease the process of opening
15 accounts to maximize its revenues.

16 50. Coinbase is fully aware of the threats that scams pose to unsuspecting Coinbase
17 users. On its website, it acknowledges that studies show consumers globally lose over \$1 trillion

21 ⁶¹ *Id.* at 17.

22 ⁶² *Id.* at 17-18.

23 ⁶³ *Id.*

24 ⁶⁴ *Id.*

25 ⁶⁵ *Id.* at 19.

26 ⁶⁶ Coinbase 10-K, *supra*, at 92.

1 to financial scams.⁶⁷ It goes on to explain the common types of scams, including pig butchering,
2 on several pages and explains how “consumers can protect themselves.”⁶⁸

3 51. The top payment method for imposter and investment scams was either crypto
4 currency or “payment apps” in 2024.⁶⁹

5 52. As a result of its lax customer verification and fraud prevention procedures,
6 Coinbase can process more transactions, directly translating to higher profits. And it reaps
7 substantial profits. According to its most recent annual report, it earned \$2.6 billion in profits in
8 2024.⁷⁰ Revenue from transaction fees is its primary source of revenue—bringing in \$3.9 billion
9 in total, with \$3.4 coming from consumers.⁷¹

10 53. Coinbase charges fees when a user purchases cryptocurrency on its platform, and
11 it admits that “trading activity directly impacts transaction revenue[.]”⁷² The fees are “calculated
12 at the time you place your order and can be influenced by factors such as your chosen payment
13 method, order size, market conditions, jurisdictional location, asset, and other costs we incur to
14 facilitate your transaction.”⁷³

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18 ⁶⁷ *Detecting and Avoiding Scams*, <https://www.coinbase.com/public-policy/advocacy/documents-/detecting-and-avoiding-scams> (last accessed February 3, 2025).

19
20 ⁶⁸ *Id.*; see also *Investment Scams*, <https://help.coinbase.com/en/coinbase/privacy-and-security/avoid-scams/investment-scams> (last accessed February 3, 2025).

21
22 ⁶⁹ *Fraud Facts*, FTC CONSUMER SENTINEL NETWORK (Fraud Category: Imposter Scams; Year: 2024; Quarter: All), <https://public.tableau.com/app/profile/federal.trade.commission/viz/-FraudReports/FraudFacts> (last updated November 8, 2024).

23
24 ⁷⁰ Coinbase, 10-K, *supra*, at 93.

25 ⁷¹ *Id.* at 94.

26 ⁷² *Id.* at 93.

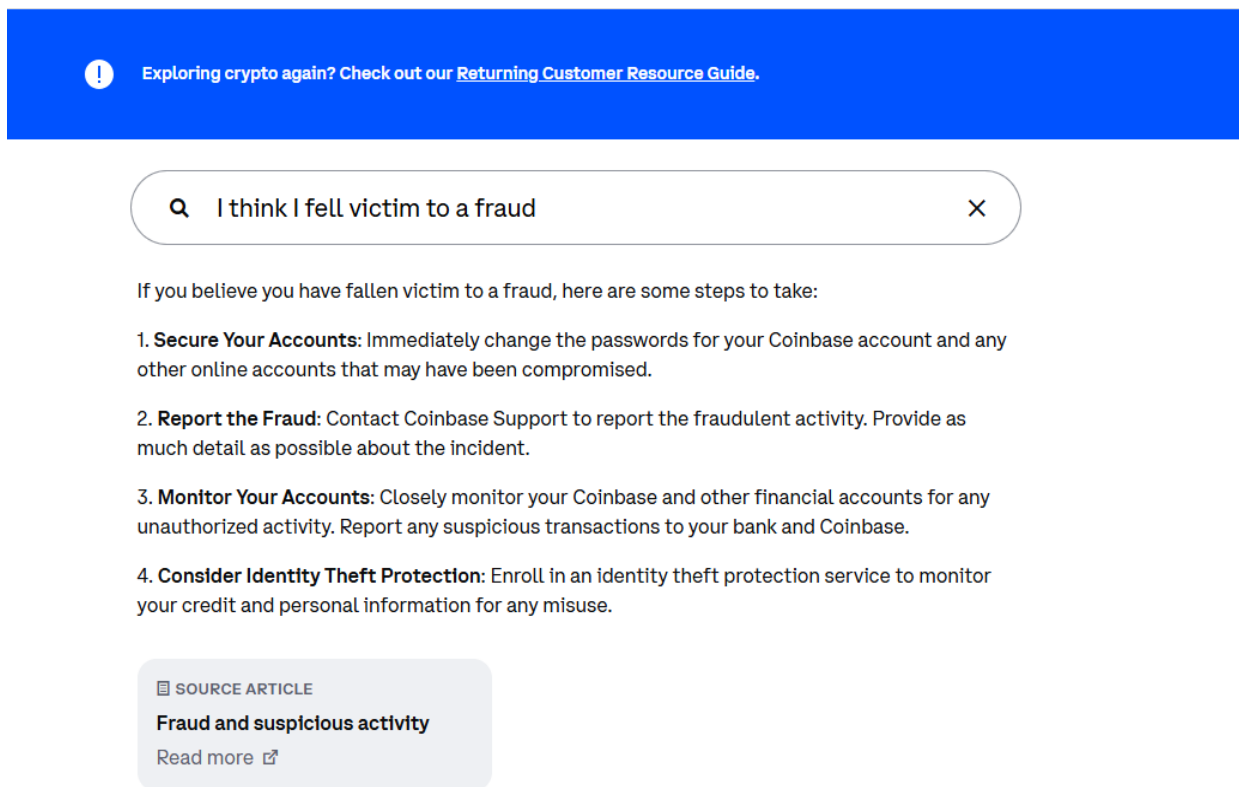
27
28 ⁷³ *Coinbase Pricing and Fee Disclosures*, <https://help.coinbase.com/en/coinbase/trading-and-funding/pricing-and-fees/fees> (last accessed February 3, 2025).

1 **V. Coinbase Fails to Provide Adequate Customer Support.**

2 54. Coinbase does not provide its users with a reasonable mechanism to contact the
 3 company to report fraud or other illicit activity. The Coinbase website claims it provides help
 4 through its “support team by phone or messaging,” but there is no phone number listed on its
 5 website.⁷⁴ Hidden in the Coinbase User Agreement, however, is a phone number that customers
 6 in need of assistance can call—(888) 908-7930.⁷⁵ But that phone number only allows users to
 7 listen to a pre-recorded message redirecting the user back to the Coinbase website. The phone
 8 number does not allow the caller to leave a message.

9 55. The Coinbase help website is also inadequate. It requires customers to describe
 10 their problems in a search box, which at times generates an AI response; other times, it simply
 11 redirects the customer to unhelpful articles:

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The screenshot shows a blue notification bar at the top with an exclamation mark icon and the text: "Exploring crypto again? Check out our [Returning Customer Resource Guide](#)." Below this is a search bar containing the text "I think I fell victim to a fraud" with a magnifying glass icon on the left and a close 'x' icon on the right. Underneath the search bar, the text reads: "If you believe you have fallen victim to a fraud, here are some steps to take:" followed by a numbered list of four steps: 1. **Secure Your Accounts:** Immediately change the passwords for your Coinbase account and any other online accounts that may have been compromised. 2. **Report the Fraud:** Contact Coinbase Support to report the fraudulent activity. Provide as much detail as possible about the incident. 3. **Monitor Your Accounts:** Closely monitor your Coinbase and other financial accounts for any unauthorized activity. Report any suspicious transactions to your bank and Coinbase. 4. **Consider Identity Theft Protection:** Enroll in an identity theft protection service to monitor your credit and personal information for any misuse. At the bottom of the screenshot, there is a light blue box with a document icon and the text: "SOURCE ARTICLE", "Fraud and suspicious activity", and "Read more" with an external link icon.

26 ⁷⁴ *Coinbase Security*, <https://www.coinbase.com/security> (last accessed February 3, 2025).

27 ⁷⁵ *Coinbase User Agreement*, https://www.coinbase.com/legal/user_agreement/united_states
 28 (last accessed February 3, 2025).

Exploring crypto again? Check out our [Returning Customer Resource Guide](#).

I think I was victim of a fraud

Search results

Product

All Products

COINBASE PRIVACY AND SECURITY

Loader or load-up scams

Technical support scammers set up fake customer support phone lines and impersonate companies—including Coinbase—or regulatory bodies. They manipulate peopl...

COINBASE NFT PROTECTING MY ACCOUNT

Common NFT scams and how to avoid them

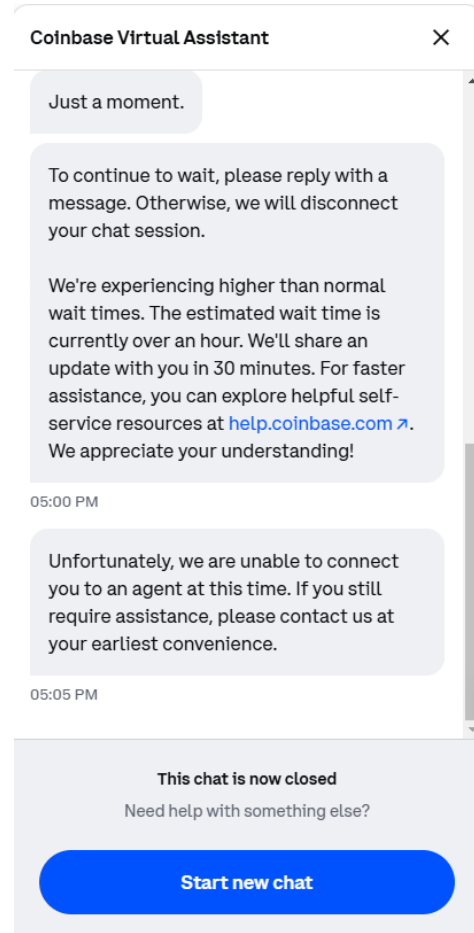
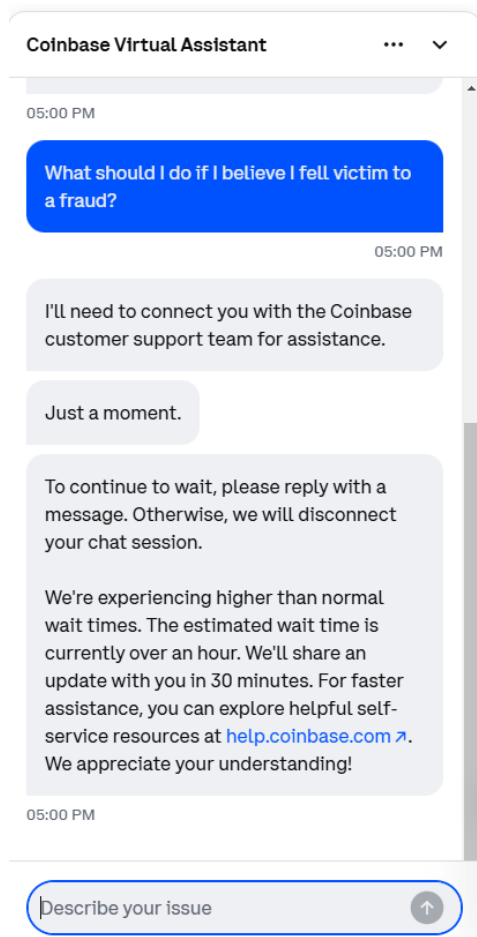
Warning: Coinbase will NEVER ask you for your Private Keys or Recovery Phrase. Do not share these with any person or site, or you could lose access to your wall...

COINBASE TRADING AND FUNDING

DeFi Investment Risks

Disclaimer: Coinbase is not an investment advisor. This article is for informational purposes only

56. In some instances, the search bar allows the user to chat with the Coinbase Virtual Assistant, but this is equally ineffective. The Virtual Assistant is frequently “experiencing higher than normal wait times” and is unable to connect the user to an agent. And to make matters worse, the Virtual Assistant will unilaterally close the chat:



57. Coinbase’s inadequate customer support system delays and makes it difficult for victims of fraud to report their situation.

VI. To Win Consumers Over, Coinbase Represents Itself as “Safe” and “Secure.”

58. Studies consistently find that “trust” and “security” are the top concerns consumers have when deciding whether they should adopt a new financial technology (“FinTech”).⁷⁶ Other studies suggest “robust regulation” helps FinTech companies because it fosters public trust.⁷⁷ That is because consumers are consistently concerned that the “pace of

⁷⁶ See, e.g., Global FinTech Adoption Index 2019, EY, available at <https://x.fintechamericas-co/ey-global-fintech-adoption-index-report>; see also Taewoo Roh, Young Soo Yang, Shufeng Xiao, & Byung Il Park, *What Makes Consumers Trust and Adopt Fintech? An Empirical Investigation in China*, SPRINGER NATURE LINK (January 26, 2022), <https://link.springer.com/article/10.1007/s10660-021-09527-3>.

1 technology is too fast.”⁷⁸ Unfortunately, the concerns of these consumers have been proven well-
2 founded, given that pig butchering scams have increased dramatically since the rise of digital
3 payment apps.

4 59. To capitalize on consumer desire for safety and security, Coinbase represents
5 itself as a “the most trusted place for people and businesses to buy, sell, and use crypto” on its
6 homepage.⁷⁹ On its security page, it touts that it is a public company required to “operate with
7 more financial transparency” and that it uses “state-of-the-art encryption and security.”⁸⁰

8 60. Coinbase continues to represent itself as a “trusted” and “secure” platform to
9 convince consumers to use its platform. However, Coinbase users are unaware of the significant
10 risks that come with using the Coinbase platform.

11 **PLAINTIFF'S EXPERIENCES**

12 61. On or about August 22, 2022, Plaintiff Brian Carolus connected with a woman
13 who went by “Snow” on the LINE messaging app—her full alias was “Chen Xuejie.” She told
14 Plaintiff she was originally from China, that she worked in fashion, and had recently relocated to
15 San Francisco from Los Angeles. Her profile seemed genuine—she had several photos, and
16 Plaintiff was able to locate her on other sites. She also sent him pictures and videos of herself
17 that were not on her profile.

18 62. Plaintiff and Snow talked extensively over the first few days. She gathered
19 information about his job, family, friends, interests, and aspirations. She also hinted at her own
20

21
22 ⁷⁷ Johan Ariff Jafri, Syjarul Imna Mohd Amin, Aisyah Abdul Rahman, & Shifa Mohd Nor, *A*
23 *systematic literature review of the role of trust and security on Fintech adoption in banking*,
24 SCIENCE DIRECT (January 15, 2024), [https://www.sciencedirect.com/science/article/pii/S-
2405844023101885#:~:text=The%20escalation%20of%20cyberattacks%20and,18%2C19%2C
20%5D](https://www.sciencedirect.com/science/article/pii/S2405844023101885#:~:text=The%20escalation%20of%20cyberattacks%20and,18%2C19%2C20%5D).

25 ⁷⁸ *Why Consumers Just Don't Trust Fintechs*, EDELMAN (Aug. 26, 2020), [https://www.-
26 edelman.co.uk/why-consumers-just-dont-trust-fintechs](https://www.edelman.co.uk/why-consumers-just-dont-trust-fintechs).

27 ⁷⁹ *Coinbase Home*, <https://www.coinbase.com/> (last accessed Jan. 30, 2025).

28 ⁸⁰ *Coinbase Security*, <https://www.coinbase.com/security> (last accessed Feb. 3, 2025).

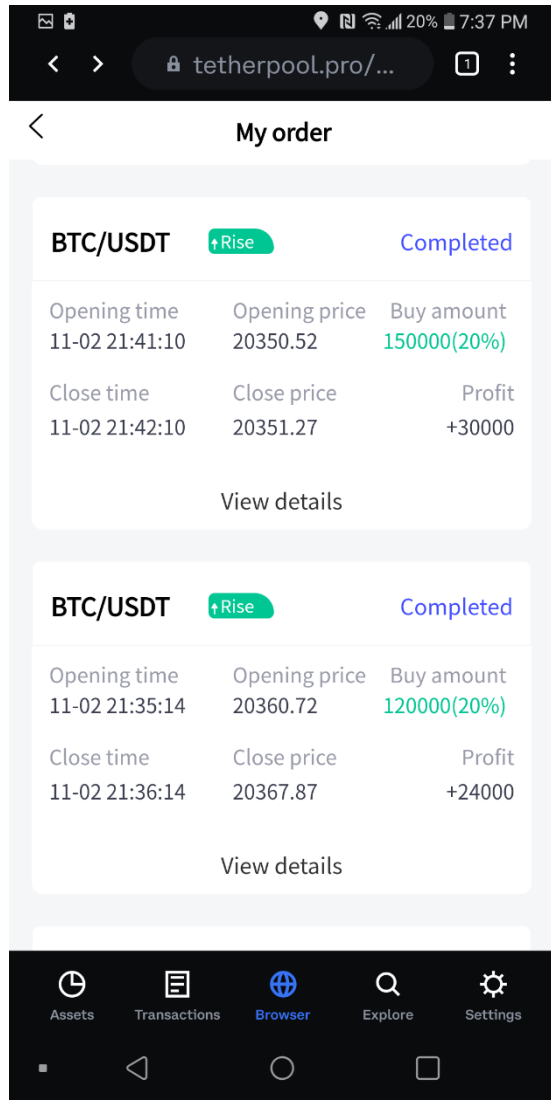
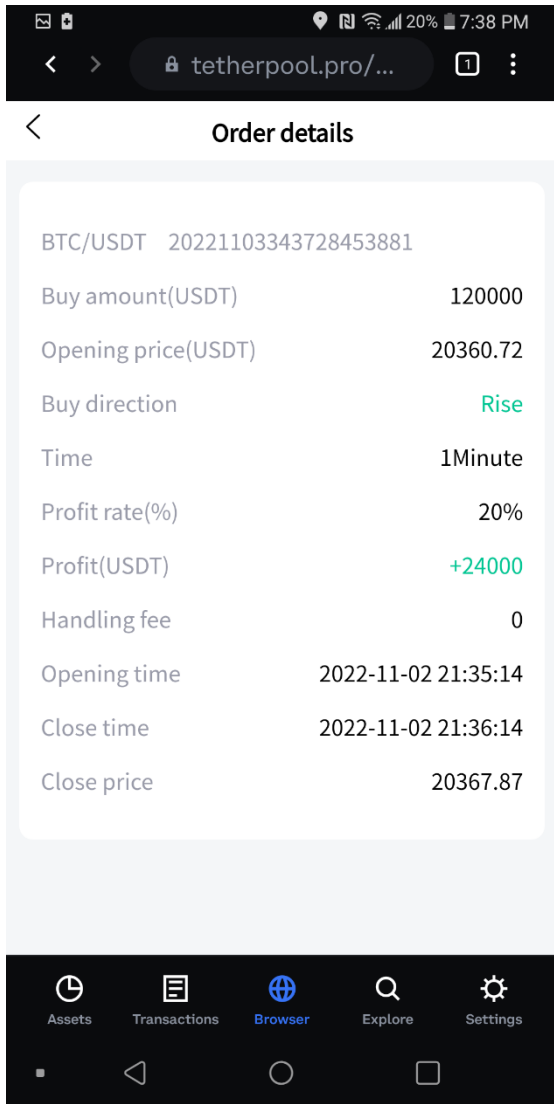
1 financial success and connections early on—ultimately claiming that her uncle was a successful
2 crypto trader on Wall Street.

3 63. After gaining Plaintiff’s trust, Snow began shifting the conversation more towards
4 her investments. She described a crypto-mining operation, Tetherpool.pro (“Tetherpool”), which
5 she discovered from her uncle that promised substantial returns. Eventually, Snow shared a photo
6 of her supposed Tetherpool account, which revealed a balance in the millions. She assured
7 Plaintiff that he could see the same returns if he followed her instructions.

8 64. Plaintiff inquired more. She explained that everything took place on the Coinbase
9 platform. Plaintiff understood Coinbase was a publicly traded U.S. company subject to strict
10 financial regulation and oversight. He also saw Coinbase advertisements touting its security,
11 including Coinbase’s homepage that claimed it was “the most trusted place... to buy, sell, and
12 use crypto.” The fact that Snow’s crypto investment went through Coinbase only strengthened
13 Plaintiff’s belief that the investment was legitimate.

14 65. Thus, Plaintiff tentatively agreed to initially invest 4,843.91 USDT. On or about
15 August 30, 2022, Snow walked him through the entire process of transferring funds into
16 Tetherpool. Plaintiff already had a Coinbase account, so the first step was to open a Coinbase
17 Wallet. He did so and agreed to the terms of service. Then, he wired money from his bank account
18 into his Coinbase account. Once the wire transfer was completed, he used those funds to purchase
19 Tether—a form of cryptocurrency. He then transferred the Tether from his Coinbase Account to
20 his Coinbase Wallet account.

21 66. Finally, he navigated to the Tetherpool website through the Coinbase Wallet
22 browser feature. Snow then proceeded to instruct Plaintiff about how to trade contracts using the
23 Tetherpool platform and how much to invest into Tetherpool through the Coinbase Wallet
24 application:



67. As promised, his initial investment grew substantially. Snow explained to Plaintiff that Tetherpool provided higher returns on contracts that utilized larger amounts, so she recommended that he invest larger amounts. Plaintiff took that advice, ultimately investing approximately \$110,000 over a period of several months.

68. Coinbase charged a fee when Plaintiff (1) purchased Tether on his Coinbase account, (2) transferred Tether from his Coinbase account to his Coinbase Wallet, and (3) transferred Tether from his Coinbase Wallet to the Tetherpool website through the Coinbase Wallet browser.

1 69. By early November 2022, Plaintiff's investments grew to nearly \$500,000. On
2 November 6, 2022, he attempted to make a withdrawal, but Tetherpool customer service
3 representatives advised him that they froze his Tetherpool account and that he could not withdraw
4 his earnings until he paid an immediate and substantial tax. Understanding that no such tax exists,
5 Plaintiff sought help from Snow who refused to provide help and instead pressured him to try
6 borrowing money from friends to pay the fraudulent tax.

7 70. He tried to contact Coinbase with little luck. He contacted the Coinbase AI Virtual
8 Assistant, but it failed to offer any substantive help. He also spoke to a Coinbase Support
9 representative and was equally unsuccessful, being told that Coinbase could provide no
10 assistance in resolving the issue or recovering the defrauded funds, and that Plaintiff should
11 inform law enforcement.

12 71. Moreover, on Plaintiff's investigation, he was unable to find Tetherpool through
13 Google or any other search engine. The only place where he could access Tetherpool was through
14 the Coinbase Wallet, which Snow had specifically instructed at the start he needed to download
15 and use in order to access Tetherpool.

16 72. Plaintiff then filed reports with the Federal Bureau of Investigation, the Securities
17 and Exchange Commission, and the Federal Trade Commission. He also contacted a non-profit
18 and a district attorney he thought might be able to help.

19 73. But no one could help. The FBI informed him that *they would not even begin to*
20 *investigate* claims involving less than \$1 million.

21 CLASS ALLEGATIONS

22 74. Plaintiff brings this action pursuant to Rule 23 of the Federal Rules of Civil
23 Procedure on behalf of himself and all other similarly situated individuals (the "Class"), defined
24 as follows:

25 Nationwide Class

26 All persons in the United States who, during the applicable statutory period,
27 bought or transferred cryptocurrency on the Coinbase platform, or the Coinbase
28 Wallet website or application.

1 75. Excluded from the Class are any of Defendant's officers, directors, or employees;
2 officers, directors, or employees of any entity in which Defendant currently has or has had a
3 controlling interest; and Defendant's legal representatives, heirs, successors, and assigns.

4 76. Currently, Plaintiff does not know the exact number of Class Members; however,
5 given the nature of the claims and the number of Coinbase users, Plaintiff believes that the Class
6 Members are so numerous that joinder of all members is impracticable. Moreover, FTC published
7 that it received over 681,000 reports of imposter or investment related scams in the first three
8 quarters of 2024 alone.⁸¹

9 77. There are questions of law and fact common to the class that predominate over
10 questions solely affecting individual members. The following questions of law and fact are
11 common to the Class Members and predominate over questions that may affect individual Class
12 Members, such as:

- 13 a. Whether Coinbase failed to comply with KYC, AML, and other applicable laws
14 requiring it implement reasonable customer verification and suspicious activity
reporting procedures;
- 15 b. Whether Coinbase's customer verification and suspicious activity reporting
16 procedures complied with industry standards;
- 17 c. Whether Coinbase's User Agreement and Prohibited Use Policy constitutes an
enforceable contract;
- 18 d. Whether Coinbase breached the promises contained in the User Agreement and
19 Prohibited Use Policy;
- 20 e. Whether Coinbase users suffered damages as a result of Coinbase's breach of
contract;
- 21 f. Whether Coinbase's failure to comply with the applicable laws constituted an
22 unfair and/or unlawful trade practice;
- 23 g. Whether Coinbase participated in and pursued the common course of conduct
complained of herein;
- 24 h. Whether Coinbase was unjustly enriched as a result of the unlawful, and/or unfair
25 conduct alleged in this Complaint such that it would be inequitable for Coinbase
26 to retain the benefits conferred upon it by Plaintiffs and the other Class Members;
and

27 ⁸¹ The Big View: All Sentinel Reports, *supra*, [https://public.tableau.com/app/profile/federal.-](https://public.tableau.com/app/profile/federal.-trade.commission/viz/TheBigViewAllSentinelReports/TopReports)
28 [trade.commission/viz/TheBigViewAllSentinelReports/TopReports](https://public.tableau.com/app/profile/federal.-trade.commission/viz/TheBigViewAllSentinelReports/TopReports) (Year: 2024; Quarter: All).

1 i. Whether Plaintiff and Class Members are entitled to restitution, monetary
2 damages, and if so, what is the measure of the relief.

3 78. Plaintiff's claims are typical of those of the Class because Plaintiff, like all Class
4 Members, transferred money on Coinbase in a typical consumer setting and suffered harm from
5 Coinbase's wrongful conduct.

6 79. Plaintiff will adequately protect the interests of the Class and has retained counsel
7 who are experienced in litigating complex class actions. Plaintiff has no interests that conflict
8 with those of the Class.

9 80. The prerequisites to maintaining a class action for injunctive or equitable relief
10 pursuant to Fed. R. Civ. P. 23(b)(2) are met, as Coinbase has acted or refused to act on grounds
11 that apply generally to the Class, so that final injunctive relief or corresponding declaratory relief
12 is appropriate with respect to the Class as a whole. Coinbase's conduct is generally applicable to
13 the Class as a whole and Plaintiffs seek, inter alia, equitable remedies with respect to the Class
14 as a whole. As such, Coinbase's systematic policies and practices make declaratory relief with
15 respect to the Class as a whole appropriate.

16 81. The litigation of separate actions by Class Members would create a risk of
17 establishing inconsistent rulings and/or incompatible standards of conduct for Coinbase.

18 82. The requirements of Fed. R. Civ. P. 23(b)(3) are met as common issues
19 predominate over any individual issues, and treatment of this matter as a class action is superior
20 to numerous individual actions.

21 83. Plaintiff and other Class Members have suffered losses as a result of Coinbase's
22 unlawful and wrongful conduct. Absent a class action, Coinbase will retain substantial funds
23 received as a result of its wrongdoing, and such unlawful and improper conduct shall, in large
24 measure, not go remedied. Absent a class action, the members of the Class will not be able to
25 effectively litigate these claims and will suffer further losses, as Coinbase will be allowed to
26 continue such conduct with impunity and retain the proceeds of its ill-gotten gains.

COUNT I
VIOLATION OF CALIFORNIA’S UNFAIR COMPETITION LAW (“UCL”)
Cal. Bus. Prof. Code. § 17200, et seq.,
(On Behalf of Plaintiff and the Nationwide Class and Scam Subclass)

1 84. Plaintiff fully incorporates by reference all the above paragraphs, as though fully
2 set forth herein.

3 85. By failing to implement reasonable customer verification and suspicious activity
4 reporting procedures, along with the other allegations herein, Coinbase has violated California’s
5 Unfair Competition Law (“UCL”), Cal. Bus. & Prof. Code §§ 17200-17210, as to the Class as a
6 whole, by engaging in unlawful, fraudulent, and unfair conduct.

7 86. Coinbase has violated the UCL’s proscription against engaging in unlawful
8 conduct as a result of:

- 9 a. violations of the Bank Secrecy Act. 31 USCA § 5311 *et seq.*
10 b. violations of state law equivalents, such as the California Money Transmission
11 Act. *See, e.g.*, Cal. Fin. Code § 2000 *et seq.*
12

13 87. Coinbase, through its traditional Coinbase platform and its Coinbase Wallet, has
14 failed to implement reasonable customer verification or reporting procedures as required by these
15 statutes. *See* 31 USCA § 5318(1)(2); *see also* 31 CFR § 1022.320. The NYDFS confirmed that
16 Coinbase lacks sufficient verification and reporting procedures in place to comply with state and
17 federal law.

18 88. Coinbase’s failure to comply with these laws also violates the UCL’s proscription
19 against unfair conduct. Coinbase is legally required to establish customer verification procedures
20 and monitor suspicious activity. Its failure to comply foreseeably leads to the festering of pig
21 butchering scams on its platform. Such a failure is against public policy, and is immoral,
22 oppressive, unscrupulous, and substantially injures consumers. This is especially true given that
23 Coinbase recognizes the dangers of pig butchering scams.

24 89. Moreover, Coinbase went further by promising consumers it prohibits fraud on
25 its platform and will comply with state and federal money transmission laws that mandate
26

1 reporting and sometimes halting suspicious payments. Coinbase has failed to live up to these
2 promises.

3 90. And finally, Coinbase failed to provide its users with an adequate support system.
4 The phone number is not easily accessible, and even if a user finds it, it leads back to the Coinbase
5 Virtual Assistant. The Virtual Assistant frequently fails to offer users the necessary help, aside
6 from sometimes beginning a virtual chat with a representative. But the virtual representatives are
7 overwhelmed and under responsive, and Coinbase’s Virtual Assistant can unilaterally end the
8 request.

9 91. As a result, Plaintiff and Class Members have suffered injury in fact and have lost
10 money or property as a result of Coinbase’s violation of these statutes. Plaintiff and Class
11 Members would not have used Coinbase had they known it is not a safe and secure platform, or
12 that it fails to comply with basic legal obligations. Alternatively, Plaintiff would have paid less
13 for Coinbase’s services.

14 92. Pursuant to California Business and Professional Code § 17203, Plaintiff and the
15 Class seek an order of this Court that includes, but is not limited to, an order requiring Coinbase
16 to:

- 17 a. provide restitution to Plaintiff and the other Class Members;
- 18 b. disgorge all revenues obtained as a result of violations of the UCL;
- 19 c. implement reasonable and compliant customer verification and reporting
20 procedures; and
- 21 d. pay Plaintiff’s and the Class’s attorney fees and costs.

22 **COUNT II**
BREACH OF CONTRACT

(On Behalf of the Plaintiff and the Nationwide Class and Scam Subclass)

23 93. Plaintiff fully incorporates by reference all of the above paragraphs, as though
24 fully set forth herein.

25 94. Coinbase’s relationship with its users is governed by the Coinbase User
26 Agreement, which incorporates and/or should be construed consistent with its Prohibited Use
27
28

1 Policy. The Coinbase User Agreement also governs users' use of Coinbase's Wallet
2 application/website.

3 95. The Prohibited Use Policy promises to Plaintiff and Class members that Coinbase
4 does not allow “[u]nfair, predatory, or deceptive practices” including “investment
5 opportunities... that promise high rewards.” In addition, the Prohibited Use Policy forbids users
6 from engaging in “unlawful activity” and “fraud,” and bars “[u]nfair, predatory or deceptive
7 practices” from its platforms.

8 96. Coinbase promises that it “will reverse” transactions if it “suspect[s] the
9 transaction may: involve money laundering, terrorist financing, fraud, or any other type of
10 financial crime; be erroneous; or relate to a Prohibited Use or a Prohibited Business as set forth
11 in the Prohibited Use Policy.”

12 97. Coinbase's User Agreement also promises that it will “remain in compliance with
13 KYC/AML laws in the jurisdictions in which we operate” and “protect Coinbase and the
14 community from fraudulent users...”

15 98. Coinbase has breached these promises.

16 99. Plaintiff and Class Members have fulfilled their obligations under the relevant
17 contracts and are not in breach of any.

18 100. As a result of Coinbase's breach(es), Coinbase was able to obtain the personal
19 property of Plaintiff and the Class Members and earn unjust profits.

20 101. Plaintiff and Class Members also did not receive the benefit of the bargain for
21 which they contracted and for which they paid valuable consideration by paying fees to Coinbase,
22 which has ascertainable value to be proven at trial.

23 102. Plaintiff and Scam Subclass Members have also suffered foreseeable
24 consequential damages as a result of Coinbase's breach(es).

25 103. Plaintiff, on behalf of himself and Class Members, seek compensatory damages,
26 consequential damages, and/or restitutionary disgorgement in an amount to be proven at trial and
27 declarative injunctive or other equitable relief.

28

COUNT III
UNJUST ENRICHMENT

(On Behalf of Plaintiff and the Nationwide Class and Scam Subclass)

1
2
3 104. Plaintiff fully incorporates by reference all of the above paragraphs, as though
4 fully set forth herein.

5 105. Plaintiff and the Class conferred benefits on Coinbase by using Coinbase's
6 platform and paying it fees.

7 106. Coinbase has knowledge of such benefits and voluntarily accepts and retains these
8 benefits.

9 107. Coinbase has been unjustly enriched in retaining the revenues derived from
10 Plaintiffs' and the Class's use of the Coinbase platform.

11 108. Retention of that money under these circumstances is unjust and inequitable
12 because Coinbase failed to comply with basic legal requirements, as alleged throughout. At the
13 same time, Coinbase represented its platform as "safe" and "secure," when it is neither.

14 109. These failures and misrepresentations caused injuries to Plaintiff and the
15 Nationwide Class because they would not have used the Coinbase platform, or they would have
16 not paid as much for Coinbase's services had they known of Coinbase's failures.

17 110. Because Coinbase's retention of the non-gratuitous benefits conferred to it by
18 Plaintiffs and the National Class is unjust and inequitable, Defendant ought to pay restitution to
19 Plaintiffs and the Class for its unjust enrichment.

PRAYER FOR RELIEF

20
21 Wherefore Plaintiff, individually and on behalf of all Class Members and all others
22 similarly situated, prays for relief as follows relating to her collective, class and representative
23 action allegations:

- 24 1. An order certifying the proposed Nationwide Class and Scan Subclass;
25 appointing Plaintiff as representative of such Classes; and appointing Plaintiffs'
26 undersigned counsel as Class counsel for the Nationwide Class and Scan
27 Subclass;

2. That the Court award Plaintiff, the Nationwide Class, and the Scam Subclass, restitutionary disgorgement, actual damages, and consequential damages, in an amount to be determined at trial;
3. That the Court award Plaintiff and Class Members pre- and post-judgment interest (including pursuant to statutory rates of interest set under State law);
4. That the Court issue the equitable relief against Defendant to Plaintiffs and Class Members are entitled;
5. That the Court award any and all other such relief as the Court may deem just and proper under the circumstances; and
6. A declaration that Coinbase is financially responsible for notifying Class Members of the pendency of this suit.

JURY TRIAL DEMANDED

Plaintiff demands a trial by jury for all claims so triable.

Dated: April 4, 2025

**STEPHAN ZOURAS LLC
NICHOLS KASTER, LLP**

By: s/ Matthew C. Helland
Matthew C. Helland

Attorneys for Plaintiff the Proposed Nationwide Class
and Scam Subclass