



PONZI SCHEME

What is it?

A fraudulent investment scheme. It offers investors unusually high returns, but the payouts do not come from actual profits – the victim's own money, or money paid by subsequent investors, is used.

How it works

Victims are enticed to invest in a seemingly legitimate investment opportunity with promises of high returns. Initially, the scammers may pay out large amounts to attract more investors. But new investors are paid using money from previous investors, rather than from real profit. The scheme cannot be maintained for long, because the earnings, if any, are always less than the payments. Eventually, the scammer disappears with the money, minus any payouts to investors.

How to avoid being a victim

- Do research before investing.
- Speak to a financial adviser before making important investment decisions.
- Don't be fooled by promises of high returns.

notes



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CASE STUDY: PONZI SCHEME

The FIC coordinated an inter-agency task team that tackled the largest Ponzi scheme yet to operate in South Africa, with an estimated value of more than R12 billion.

The scheme drew in several hundred “investors” who contributed substantial funds to import anti-retroviral drugs, based on the promise of large percentage payouts. As the economic recession hit home, the funds to pay out investors at the promised rates dried up and the scheme was revealed.

The FIC provided the financial intelligence that helped participating agencies to coordinate a targeted investigation and to identify information used as evidence for eventual prosecution.

Perpetrators’ accounts were frozen and some assets were confiscated. The task team also developed a list of all scheme investors, facilitators and administrators.

International cooperation helped the FIC to establish the cash flow pattern, the accounts involved and the method of laundering money. This information was given to other agencies and helped direct the investigation.

THE SCHEME IS NAMED AFTER CHARLES PONZI, WHO BECAME NOTORIOUS FOR USING THE TECHNIQUE AFTER EMIGRATING FROM ITALY TO THE UNITED STATES IN 1903



SARS gunning for Ponzi queen⁶

An excerpt from IOL News

16 February 2012

The taxman is determined to squeeze a massive R17 million out of this Cape Ponzi scheme queen.

And a Daily Voice investigation also reveals the South African Revenue Service is now also targeting all those who invested in the dodgy dealings of the now-liquidated company World Focus 899 CC.

And at the top of SARS' list is NAME REMOVED.

NAME REMOVED was exposed as the mastermind behind the scam which targeted over 400 poor Muslims as well as some of the province's wealthiest Islamic families.

Investors in the scheme say "recruiters" even used quotes from the holy Qur'an scriptures to get hesitant investors to hand over their cash.

Investors lost an incredible R157 million in the scheme after World Focus 899 CC was liquidated in April 2010.

SARS spokesman Adrian Lackay Wednesday night confirmed they are going after the World Focus 899 CC Ponzi investors. ... He made it clear that SARS would be going after "all those who benefited in the alleged Ponzi scheme". ...

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⁶ <http://www.iol.co.za/news/crime-courts/sars-gunning-for-ponzi-queen-1.1235974>