

Bank of Namibia



1 December 2008
Attention: News Editor
REF: 9/6/2

FOR IMMEDIATE RELEASE:

PRESS RELEASE

BE AWARE OF "GET-RICH-QUICK" SCHEMES OR PYRAMID SCHEMES

Bank of Namibia is working in public interest and therefore, takes its duty very seriously to inform and educate Namibians about fraudulent schemes such as pyramids and other get-rich-quick schemes. By understanding how these schemes operate, Namibians can protect themselves from falling victim to these illegal activities.

What is a "Get-Rich-Quick" scheme or Pyramid scheme?

A get-rich-quick scheme is a plan which offers high or unrealistic rates of return for a small investment while at the same time promising that such investment is easy and risk-free. A pyramid scheme is usually an illegal money-making venture for individuals at the top who recruit participants who, in turn, recruit other participants to offer something of value, usually money. Recruits are offered the promise of money if they successfully bring in others to pay money to join the pyramid. A typical pyramid scheme would focus on the exchange of money and recruitment. Usually, there is no legitimate product being sold. In other words, there are no underlying assets involved in the transaction.

These "Get-Rich-Quick" or "Pyramid" schemes are prohibited under the Banking Institutions Act, 1998 (Act No. 2 of 1998), (the "Act") administered by Bank of Namibia.

Illegal deposit-taking is an act of receiving, taking or accepting of deposits (money) from members of the public that promises a repayment with interest or returns in money or money's worth without a valid licence under the Act.

Furthermore, illegal deposit-taking ventures strive to:

- Instruct the investors to deposit the investment money into either the principal company's bank account or a third party bank account; and
- Induce the investors to top up their investment ("margin call") or otherwise risk losing their investment.

Warning signs for investors

- Illegal deposit-taking activities can be disguised and camouflaged in various forms aiming to deceive the public to fall victim to the investment scams, by giving valuables, usually money, as part of the promised returns and camouflaging the deposits as loans to the company;
- Generally, illegal deposit-taking activities appear to be able to provide high or unrealistic rates of interest or return over a short period of time as compared to licensed banking institutions. However, these schemes will not last long, as there are not enough people or enough money to keep them going;
- The survival of these schemes are dependent upon the recruitment of new members i.e., new funds obtained will be used in paying dividends to the existing members. They will have meetings and put pressure on you to invest. Previous winners will speak on their behalf. They will tell you you're going to make it big. So you find some money and you invest too. However, these schemes will fail when there are no contributions or funds from new members. Please note that the longer these schemes last the more damage they do to our communities; and
- Initially, the members may be paid their promised returns. However, the operators would eventually abscond with the money collected when they feel that the scheme is about to fail; thus leaving the members at the losing end.

Tips to protect yourself

- Remember the golden rule - if it sounds too good to be true, it's probably a lie. Do the wise thing and save your money. Put it in your pocket and walk away.
- Deal only with authorised banking institutions;
- Check with the relevant authority at Bank of Namibia before investing;
- Don't be pressured or rushed to invest;
- Be extra careful with investments over the internet;
- Be sceptical of any investment opportunity that is not in writing; and
- In case an investment has been made, keep copies of all the investment information and communications.

What should you do if you are a victim of such scams?

If you have any information pertaining to activities that resemble those of a “get-rich-quick” scheme or “pyramid” scheme or are a victim of such activities or scams, please contact the Director: Banking Supervision at telephone number (061) 283 5040 or send details of such information or complaints together with the relevant documentation to the Director: Banking Supervision, Bank of Namibia, PO Box 2882, Windhoek.

*Issued by the Bank of Namibia Corporate Communication Division at tel: (061) 283 5114 or
e-mail: roux-che.locke@bon.com.na*