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PUBLIC ANNOUNCEMENT: FINAL OUTCOME OF THE INVESTIGATION ON PYRAMID SCHEMES OPERATING IN NAMIBIA

1. With reference to our public statement dated 3rd October 2012, the Bank of Namibia (the Bank) has now completed the investigation of the business models of the following two suspected pyramid schemes namely: **GOLDPRIMETIME CC** (under the board referral marketing plan); and **PENTA STREAM INVESTMENTS CC** (under the concept of **Penta Gold** and their prior joint venture under **Pincode**).
2. Further, the Bank wishes to reiterate its position on the activities of U-Care in Namibia as previously communicated in the joint public statement with NAMFISA dated 25 September 2012.
3. The activities of the abovementioned business entities have been found to be in contravention of section 55A (1) of the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended (the Act) for the reasons outlined below:
4. **GoldPrimeTime CC (under the referral marketing plan)**
 - 4.1. The core activity of GoldPrimeTime CC under the referral marketing plan is to introduce new members of the public to the business practice. Money in the form of joining fees, amounting to either N\$2,500 under the Legacy Plan or N\$1,500 under the VIP Plan, is regularly accepted from newly recruited members, in exchange for what GoldPrimeTime CC terms as a “*gold investment education package*”.
 - 4.2. The participants in this business are further encouraged to introduce at least two new members to the board referral network in order to earn monetary rewards and to progress in status, that is, from the *Smart Board* to either the *Legacy Board* or the *VIP Board*. In addition, participants are promised more monetary rewards upon promotion to specified higher statuses within the network. The promised rewards take the form of *take-off bonuses*, *pre-cycle pay-outs*, *cycle pay-outs* and other incentives.
 - 4.3. The funds allocated to participants as part of the reward system principally come from the joining fees received from newly recruited members. At each stage where rewards apply, Gold Primetime CC has ensured that all promised

rewards are more than fully covered by the accumulated net joining fees collected.

- 4.4. In essence, no tangible products or services are offered to prospective members to join, with the exception of the “gold investment education packages”. This means that the joining fees are not paid in exchange for education in Gold investment, but this is used to lend legitimacy to the business. It is also clear that the real attraction of participants to the business is not investment education, but the need to make money by introducing other participants whose money is used to reward the participants.
- 4.5. It is also important to highlight that this company which is based in SA was once an authorised coin dealership registered with the SA Mint in 2007. It was however deregistered in 2011, and was reported to SARB’s Bank Supervision Department for investigation of possible pyramid scheme operations. This year, SARB became aware that this company continued to do business with reference to the SA Mint, in spite of the deregistration. A media statement was then issued informing the public that Gold Prime Time CC was no longer an authorised dealer of the SA Mint. SARB Legal Services Department also issued a letter to the company to refrain from presenting itself as an authorised dealer of the SA Mint.

5. Penta Stream Investments CC (under Penta gold and/or Pincode)

5.1 The core activity of Penta Stream Investments CC (under Penta Gold and/or Pincode) is to introduce members of the public to the business practice. Money in the form of an annual registration fee of N\$100.00 and a monthly fee of N\$10.00 per member is regularly accepted from existing and newly recruited members.

5.2 The participants in this business are encouraged and required to introduce or recruit as many members of the public as possible, in order to earn monetary rewards in the form of a commission of N\$10.00 for each new member recruited, as well as a monthly reward of N\$1,000.00 once an existing member achieves the recruitment target of 1000 active members.

5.3 The funds allocated to participants as rewards principally come from the annual registration fees and monthly membership fees obtained from both new and existing members.

6 The business activities of these two entities, under their respective referral marketing plans as presented above, constitute illegal activities and are therefore prohibited in terms of section 55A(1) of the Act.

7 Why is the Bank of Namibia concerned with illegal schemes operating in Namibia?

7.1 Illegal schemes such as the one mentioned above are prohibited by law, which gives the power to the Bank to protect the public from losing money through such schemes. Therefore, the Banking Institution’s Act gives power to

the Bank of Namibia to protect the public's money and by so doing maintain public confidence in the financial system. This is because when people lose confidence in the financial system, it can spell economic disaster to the country's economy and wellbeing of its citizens.

7.2 History is full of examples of members of the public having lost money in illegal schemes. The operations of illegal schemes hook the public by convincing them of the high returns in a short space of time. This poses a risk because they tend to collapse when it becomes difficult to attract new people. The case of Albania is a good example of the negative impact pyramid schemes pose to countries:

In the mid 1990's, when Albania started the transition from a state-controlled economy to a liberalized economy, pyramid schemes (which they referred to as Ponzi schemes) started emerging. These schemes dominated Albania's financial sector. The pyramid schemes created the illusion of financial success, which eventually led to approximately two-thirds of the Albanian population participating. Albanians sold their homes and used their lifetime savings to invest in the schemes, while Albanian nationals working in foreign countries transferred additional resources to the schemes back home. In 1997 the number of investors grew so rapidly that it was impossible to find new participants, and the funds started to dry up. The schemes ceased making payments and started to collapse. The consequent events led to chaos in the country, as people started rioting and demanding their money from the government. Two thousand people were killed in the violence and large parts of the country were no longer within the control of the government. Government revenues shrunk as customs, post and tax offices were burned down. Albania's currency depreciated against the dollar by 40 percent and prices increased by 28 percent in the first half of 1997. Many industries temporarily ceased production, and trade was severely interrupted.

8. Bank of Namibia's advice to the public

8.1 In view of the above, the Bank hereby informs the public that the above-mentioned institutions have been found to have contravened the law and they are therefore illegal. The organisations were directed to repay the money collected from participants within a specified period. The Bank also advises the members of the public who joined **Gold Primetime CC**, Penta Stream Investments CC (under the concept of **Penta Gold** and their prior joint venture under **Pincode**) and **U-Care** to discontinue their membership. Furthermore, those who intend to join these entities should also refrain from doing so with immediate effect. Failure to do so may lead to prosecution in terms of the law.

8.2 Any member of the public who has lost money to any of these entities should present documentary proof of such payment to the Bank. This will enable the Bank to assess the progress of repayment of the money obtained from the public

in contravention of section 55A (1) of the Act. Such documentation should contain sufficient details, including but not limited to the amount paid, to whom, and how such money was paid as well as details of who introduced one to such business.

8.3 The communication or information pertaining to the above should be addressed to the Director: Banking Supervision, Mr Romeo Nel, telephone: 061 283 5040, email: Romeo.Nel@bon.com.na

Ipumbu Shiimi, Governor

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