

## WHAT IS A PYRAMID SCHEME?

A pyramid scheme is a scheme where participants receive compensation derived primarily from recruiting other people as participants into the scheme. Participants attempt to make money by recruiting new participants. These schemes are often disguised as business/Investment opportunities aimed at selling legitimate financial products or services.

## HOW DO PYRAMID SCHEMES WORK?

A pyramid scheme usually requires participants to recruit one or more people into the scheme to receive compensation. This means the more people each person recruits, the more money is made by everyone who joined the scheme earlier. The problem starts when "recruitment" dries up and investors start losing money.

## WHAT SHOULD YOU ASK A PERSON OR COMPANY THAT WANTS YOU TO INVEST WITH THEM

- How long have you been in the investment business?
- What are your qualifications?
- Do you require me to introduce other investors?
- Are you registered with other Financial Services Regulators?
- Can you show me proof of company registration?
- What product am I investing in?
- Will I receive a signed documentation?

## HOW TO PROTECT YOURSELF

- If an investment opportunity sounds too good to be true, it generally is.
- Research the company. A website is not necessarily proof that the company exists and is legitimate.
- Check with the relevant authorities if they are authorised to conduct business in Seychelles.
- Never accept a deal where the process has not been explained to you - talk to a financial advisor who can help you identify all your personal and financial needs, objectives and priorities. There should also be legitimate documentation to back up any investment decisions. Walk away if there are none.
- Determine upfront what fees you will be charged.
- Registered investment brokers/companies are obligated to disclose any fees you will be charged as a monetary figure and not just as a percentage.
- Don't be secretive about the offer that has been made to you. Get the opinions of your colleagues, friends, financial advisors. They might be able to warn you if they have knowledge of such scams and also this will make them aware if they are approached by the scammers.
- Be wary of people that "testify" at the "recruitment meetings/trainings. These people often overstate the investment returns to lure in new participants.

## HOW TO IDENTIFY A PYRAMID SCHEME FROM A REAL INVESTMENT

INVESTMENT	PYRAMID SCHEME
<ul style="list-style-type: none"><li>• A consumer is not required to recruit other participants to the scheme.</li></ul>	<ul style="list-style-type: none"><li>• Participants are always required to recruit others into the schemes and are promised returns within a short period of time.</li></ul>
<ul style="list-style-type: none"><li>• A consumer knows where his/her monies are invested and the rate of return.</li></ul>	<ul style="list-style-type: none"><li>• Significant returns are derived from the recruitment of participants and not from the actual sale of the products.</li></ul>
<ul style="list-style-type: none"><li>• Investment brokers/companies are registered with a relevant authority.</li></ul>	<ul style="list-style-type: none"><li>• The company or promoters are not registered anywhere.</li></ul>
<ul style="list-style-type: none"><li>• Legal and safer way of investing money.</li></ul>	<ul style="list-style-type: none"><li>• It is illegal to participate or promote a pyramid scheme.</li></ul>
<ul style="list-style-type: none"><li>• Recourse mechanisms available.</li></ul>	<ul style="list-style-type: none"><li>• Participants risk losing money.</li></ul>
	<ul style="list-style-type: none"><li>• Hardly any recourse.</li></ul>



## FINANCIAL SERVICES AUTHORITY

### CONSUMER EDUCATION

### HOW TO IDENTIFY AND PROTECT YOURSELF FROM PYRAMID SCHEMES

## WHAT DO YOU DO IF YOU ARE A VICTIM OF A PYRAMID SCHEME FRAUD

- Report the fraud to local authorities.
- If you think you are actively participating in a pyramid scheme, break off contact with the fraudsters immediately and do not invest any more money.
- Keep any written communications you have received from the pyramid scheme. They may help you give evidence to the relevant authorities.

