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12 October 2020

## **WARNING NOTICE: PYRAMID SCHEMES**

The Financial Intelligence Unit (FIU) and the Financial Services Authority (FSA) of Saint Vincent and the Grenadines along with the Eastern Caribbean Securities Regulatory Commission (ECSRC) hereby advises the public in Saint Vincent and the Grenadines of investment offerings, that are being circulated via online chat platforms (WhatsApp), virtual meetings (Zoom) and face-to-face contact. These investment offerings which may be classified as pyramid schemes, are currently being promoted under the guise of a “savings plan”, “sou-sou” or a “gifting” system.

### ***Identifying a Pyramid Scheme***

A pyramid scheme is a fraudulent investment that offers returns solely through the recruitment of other participants into the programme. The following are some of the red flags of a pyramid scheme:

1. Emphasis on recruiting new participants to join the programme; The programme requires individuals to make a financial contribution to start and requires recruitment of new members making the same contribution to ensure high payouts.
2. There is a promise of a high return or payout on the initial contribution over a short period of time; This high return is only possible through the recruitment of new participants.
3. No genuine product or service is offered; and
4. A complex structure that ensures that early contributors are paid first using the initial financial contributions of newer members. Members are encouraged to recruit newer members to move to a different “level” or part of a circle.

When there are fewer or no new members, the scheme collapses and losses are incurred for individuals who joined the pyramid scheme.

The Government of Saint Vincent and the Grenadines has moved to protect the public from pyramid schemes by passing the **Consumer Protection Act 2020** which prohibits the promotion, operation or participation in pyramid schemes and will carry a penalty on summary conviction, of a fine of ten thousand dollars and imprisonment for two years for the offence.

### ***How to Protect Yourself***

1. Be suspicious of persons who contact you to invest quickly or promise high returns on your investment.
2. Consider seeking financial advice or guidance before you invest.
3. Ensure that any individual or firm with which you conduct business is licensed or authorised by the ECSRC or other relevant government authority.

**Pyramid schemes should be avoided as they are not a legitimate way of investing.**

**The Regulatory Authorities are advising the public to remain vigilant and report any fraudulent activity.**

If you are aware of or have been the victim of a fraudulent investment scheme in Saint Vincent and the Grenadines, we encourage you to contact the Financial Intelligence Unit via email at 'admin@svgfiu.com' or the Financial Services Authority at 'info@svgfsa.com'.

### ***About the ECSRC***

The ECSRC is the regulator of securities business in the Eastern Caribbean Currency Union (ECCU). The member countries of the ECCU are Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher (St Kitts) and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. The securities industry in the ECCU is governed by uniform securities legislation, the Securities Act 2001 and its amendments and Regulations to the Act. The primary functions of the Commission are to maintain the integrity of the Eastern Caribbean Securities Market; protect investors; promote market efficiency; and facilitate market development.

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