



Welcome again to the Public Awareness column provided by the Reserve Bank of Fiji (RBF). This month's article provides information on investment scams and some key red flags to help you avoid being a victim of fraud.

BEWARE OF INVESTMENT SCAMS

Don't hand over your hard-earned money to just anyone.

Investment scams have been on the rise in recent years. You, or someone you know, may have seen or received an email or a phone call to invest in a product or property and to send money to secure your success. The worldwide use of the internet and people's desperate need to get rich quickly has made it easier and faster for fraudsters to target a wider range of people.

The term fraud refers to an intentional deception by a person, referred to as a fraudster, for his own personal gain. The deception arises because the fraudster sells you a product or an idea that is not accurate and in most cases totally different from what you think you're getting. Fraud is a crime in Fiji and defrauding people for money or valuables is a common purpose of fraud.

In today's struggling economy, fraudsters involved in investment scams, are taking advantage of people's vulnerability and desperate need for money, by offering high rates of returns with almost no risk at all. There are always some risks involved with any investment but despite all the warnings and notices, many people still fall victims to fraudulent schemes. This is because new frauds, scams and schemes are arising daily and becoming more sophisticated every day that it is sometimes very difficult to tell a legitimate investment from a fraudulent one.

Protect Yourself

The best way to protect yourself is to know how to tell a scam from a genuine offer. The following are some characteristics of popular common scams and how they work:

Ponzi Scheme - this scheme is named after Charles Ponzi who became notorious for using the technique in early 1920. A Ponzi scheme is a fraudulent investment operation that pays returns to separate investors, not from any actual profit earned by the organization, but from their own money or money paid by investors who join in later.

The Ponzi scheme usually attracts new investors by offering returns other investments cannot guarantee. At the start of these schemes only a few investors are tempted to invest and will usually invest small sums.

For example, Frank joins a scheme with \$50. He is told by the fraudster that in 14 days he will get back his \$50 plus a 20% interest. Two days later, Ali and Bibi also join and pay \$50 each. After fourteen days later, Frank receives \$60 from his original investment of \$50. At this point, Frank will have more incentive to put in more money and, as word begins to spread, other investors grab the "opportunity" to participate, leading to a cascade effect because of the promise of extraordinary returns. However, the "return" to the initial investors is being paid out of the investments of new entrants, and not out of profits. Note that Frank's \$10 profit came from the money that Ali and Bibi invested. Ali and Bibi will only get their interest if other people join in after them.

Ponzi schemes never last long because sooner or later there are not enough people joining the scheme and eventually the fraudster is unable to pay everyone. In many cases fraudsters have disappeared with people's money long before people realise that their returns are late.

Pyramid Schemes - A **pyramid scheme** is a non-sustainable business model that involves promising participants payment, services or ideals, primarily for enrolling other people into the scheme or training them to take part, rather than supplying any real investment or sale of products or services to the public. Pyramid schemes are a form of fraud.

Lottery and Advance Fee Scams – lottery scams are commonly passed through email and text messages as fake notifications of lottery wins. The fraudster will request for personal information such as bank account details and then request that you pay an advance fee before they deposit your prize money into a bank account. The fee is often a large sum and since winners think they have won millions of dollars and are dealing with a somewhat reputable pretending to be organisation, they willingly pay the fee. There are many scams out there that work in a similar manner such as organisations notifying you that you have been nominated as the beneficiary of a property or fund. If you have not entered a lottery nor have any relation to the person who nominated you, do not entertain the request. Delete the email or hang up the phone immediately.

Phishing - Phishing (*pronounced "fishing"*) is a way fraudsters attempt to acquire sensitive information about you such as computer usernames and passwords and credit card details in an electronic communication by pretending to be a trustworthy organisation. Communications pretending to be from popular social web sites, auction

sites, online payment processors or IT administrators are commonly used to lure the unsuspecting public. Phishing is typically carried out by e-mail or instant messaging.

A national survey carried out in Australia found that lotteries, pyramid schemes and phishing attacks top the list of scams that Australians have fallen victims to.

SO WHAT SIGNS MUST YOU BE AWARE OF?

- No License** – most countries will require anyone offering investments to be licensed. So call the Reserve Bank of Fiji to check whether the person is licensed or not. Do not deal with any person or company that is not licensed.
- Too good to be true** - Some investments are convincing and sometimes seem too good to be true. Remember, **IF IT IS TOO GOOD TO BE TRUE, IT PROBABLY IS.**
- Guarantees** – beware of anyone giving you a guarantee that you will get a return from your investment or your money back if your investment does not work. All investments carry a risk and most countries do not allow licensed investment advisers to advise investors otherwise.
- Pressure** - fraudsters are persuasive individuals and want to seal a deal on the spot. They pressure you to invest and may offer their products for a limited time only. Do not rush and be fooled. Get a second opinion before considering any investments or call the Reserve Bank of Fiji to find out more information.
- No Details** - fraudsters may seem very confident about the investment but fall short on details. Familiarize yourself with the investment proposal, read carefully and try to fully understand it. You may have a lot of questions after reading it and make sure your questions are answered clearly.
- You are special** - investment scams target everybody in general but will make it seem like you're a special case for the company.
- Testimonials** - you may be shown successes of past investors, showing reviews and testimonials of their high returns and financial success. Those past investors may be fictitious persons or paid actors.
- Websites** - fraud websites may look professional and seem to resemble a legitimate investment company. Check for contact details and verify the company's details and

existence. Also research the internet for any references of the company. Contact the Reserve Bank or regulator in Fiji that country to verify the information provided by the person before you invest.

What to Do?

On suspicion of any investment scheme, contact the Reserve Bank of Fiji to confirm the legitimacy of the investment agent or company.

If large sums of money have been lost, you could get legal advice to identify avenues in retrieving your lost savings. In many cases, the Reserve Bank of Fiji and other regulatory authorities may not be able to help if the fraudster is unlicensed. If the fraudster is from another country, retrieval possibility are more difficult.

Scams come in many forms with high levels of sophistication to lure you into investing your hard earned savings. Avoid them at all cost. Make sure you research the investment company well, and be well informed of the types of scams out there to avoid any costly mistakes.

Contact the Reserve Bank if you are unsure about any person offering you an investment opportunity.

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