



2 October 2020

PUBLIC ADVISORY

RE: Beware of 'Quick-and-Easy' Money-Making Ventures

The Cayman Islands Monetary Authority ("CIMA") cautions the public about entering into investment ventures that promote 'quick-and-easy' money, as they can easily become subjects of fraudulent schemes that can result in substantial financial loss.

Initiatives of this nature can take many forms and are often falsely represented as legal investment opportunities similar to foreign currency trades, securities, and the traditional "partner-hand" arrangements. Examples of such ventures are referred to as "pyramid scheme", "friends and family savings circle", "blossom programme" or "cash gifting programme" in an attempt to hide their purpose. In reality, such cash gifting programmes are fraudulent money-making scams promising high rates of return with little risk to investors. They involve making monetary contributions upon entry of the venture and inviting or recruiting other persons to join. If done successfully, individuals are paid or gifted out of the contributions of other persons also entering the scheme. Participants' money is not actually invested, it is passed on to other members of the group in sequence. As more persons enter the programme, the pool of accumulated funds increases, and the cycle continues. The key feature of these programmes is that no money is being "made" – any increase in contributions that a person receives is solely from other persons within the cycle.

Such schemes are currently being heavily marketed on island via email, face-to-face contact, social media, and other online chat groups. As fraudsters, and other parties who may not intentionally seek to deceive but unknowingly promote such programmes, take advantage of this environment, residents should exercise extreme caution by identifying the associated threats and risks.

What are some of the common red flags of illegal cash investment opportunities?

- They require persons to join groups and make an initial monetary contribution in exchange of a significant financial return in a very short period of time.
- They rely on the invitation or recruitment of new members to ensure pay-outs, which are generally higher than initially contributed.
- There are no products or services offered. Money is only "made" by taking from one person and giving it to another.
- The programmes are promoted as "not illegal" or "not a scam".
- They are promoted as a risk-free or easy way to double or triple your investment.
- They can be promoted as community-minded or cooperative project funding programme.

- They involve several layers which are difficult to explain and understand.
- The participants are responsible for collecting and distributing their contributions or an administrator may be involved for a fee.

In accordance with advisories issued by other local and international regulators, CIMA warns the public that cash gifting circles are essentially investment scams and participating in them is illegal. In the end, these programmes are usually unsustainable and inevitably fail. Persons in the cycle become unwilling or unable to continue to increase their contributions, or new recruits cannot be found. Without new contributions, there is no money to “gift” and the cycle breaks, with most persons losing a significant amount of money, if not all.

What are some questions to ask persons promoting cash investment opportunities?

- Is the investment opportunity registered with a regulatory body such as CIMA?
- How long has the programme been in operation and have all participants received their returns?
- Is there a single person tracking all cash-flows? What qualifications does that person have to manage a programme like this? Do they hold any financial services licenses?
- What happens if a member is unable to make their contribution?
- How does the programme make money?
- Are the administrators compensated for their services?
- What are the risks involved?
- Where can I get more information about the programme in writing?

Investment programmes outside of licensed and regulated financial facilities, such as the abovementioned cash gifting circles, promising extraordinary cash pay-outs pose a serious risk to those participating. These unauthorised investment schemes make no legitimate profits, and it is very unlikely that participants will be able to recover any monies contributed to the programme. Additionally, recipients of these funds may not be able to determine its true origins, which may be from illicit sources. Persons are therefore strongly advised against entering into such ventures and avoid becoming victims of fraud.

Anyone who believes they may be a target or victim of a financial scam is encouraged to contact the Royal Cayman Islands Police Services’ Financial Crime Investigation Unit via telephone at 949-8797 or email RCIPS.FCU@rcips.ky

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