

Govt cautions banks on pyramid schemes

Concern. Financial Intelligence Authority notes that pyramid schemes use banks to collect money from the public.

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KAMPALA. Government has advised finance institutions to conduct due diligence and avoid individuals and entities involved in get-rich schemes such as pyramid/ponzi.

In a February 5 circular, the executive director of Financial Intelligence Authority (FIA), Mr Sydney Asubo, advised chief executives of financial institutions to pay special attention to suspicious bank accounts.

Mr Asubo said the FIA has received reports indicating existence of pyramid/ponzi schemes which collect money



FIA boss. Sydney Asubo

from members of the public, promising them quick and abnormally high returns.

He said the schemes are operated using bank accounts.

"We wish to remind you of your obligations under the Anti-Money Laundering Act, 2013 (as amended) which include conducting customer

due diligence, monitoring transactions and reporting suspicious transactions, among others," Mr Asubo said.

"The purpose of this circular is to urge you to put in place measures to ensure that your institution is not used by entities/individuals involved in pyramid/ponzi schemes. You are advised to pay special attention to accounts which appear to be mobilising funds from the public and report the same to the FIA," he added.

In August last year, more than 3,000 people, including senior police officers, were robbed of their savings they deposited in Global Finance, a pyramid scheme, after it closed and directors went in hiding.

Another similar scheme, Telex Free, which collapsed

HOW THEY WORK

1. Guarantees you high returns with little risk of losing your investment. A good general rule to follow is; if it sounds too good to be true, then it is false.
2. Promises you consistent returns regardless of the market conditions. Legitimate businesses experience times of profit and times of loss.
3. The investment strategy or business activities are described as too complex for investors to understand, or top secret. If a business idea cannot be explained, it is suspicious.
4. The company or proprietor running the scheme focuses all their energy into attracting new clients to make investments.
5. Both old and new clients face difficulty trying to remove their money from the scheme. about four years ago, was disguised as an internet telecom company with its headquarters in Brazil.