



SECURITIES COMMISSION OF THE BAHAMAS

PUBLIC NOTICE

No. 11 of 2020

14 September 2020

**Re: FOUNDATION FAMILY SOU SOU
OR
AFRICAN SOU SOU**

This **NOTICE** is re-issued by the Securities Commission of The Bahamas (“the Commission”) pursuant to its authority under the Securities Industry Act, 2011, the Investment Funds Act, 2019 and the Financial and Corporate Service Providers Act, 2000 (the Acts).

It has been brought to the attention of the Commission that there is an increasing presence on social media and other internet sites, of advertisements or invitations to members of the general public to join purported financial programs in which an individual pays a certain sum of money to join the program then in turn must solicit and encourage other individuals to join the financial program in order to receive a large cash pay-out.

The Commission is advised that in recent weeks, a group calling itself ‘**Foundation Family Sou Sou**’ based in the United States of America, has launched a financial program they claim is linked to traditional African sou sous. The financial program has been deployed in this jurisdiction under the names ‘**Fire Starter**’, ‘**Magnolias Jr.**’, ‘**The Winning Team**’, ‘**Ujamma Family & Friends Share Plan**’, ‘**242 Financial Partners**’ and ‘**Everybody Eats**’. This program, in its various forms, carries the same characteristics of fraudulent Ponzi and/or pyramid schemes.

PYRAMID vs PONZI SCHEMES

Pyramid schemes are scams where promoters claim they can turn a small investment into large profits within a short period of time. In reality, participants make money solely by recruiting new participants into the program. The scheme gathers momentum until it crashes. Fraudsters behind these schemes typically go to great lengths to make their programs appear to be legitimate multi-level marketing (MLM) schemes (noting that a MLM scheme is not of itself unlawful), but the schemes eventually fall apart when it becomes impossible to recruit new participants, which can happen quickly. In one

example of a pyramid scheme, the first level starts with each new participant enlisting eight more people. Each of those eight people then needs to recruit eight more, and so on. Participants only make money from new recruitment - there is no real investment. Once recruitment into the group stalls, the participants in the group particularly the later ones, cannot be paid and lose any monies they put into the scheme.

A Ponzi scheme is similar to a pyramid scheme, the primary difference being that a Ponzi scheme involves the scheme's operators persuading other persons to invest sums of money with the scheme or the operators, purportedly involving an investment vehicle of some kind, in return for a greater sum of money or payout; the scheme's operators normally claim that there is little to no risk to the initial sum invested. In actuality, there is no investment, no investment vehicle and no investment product. Therein lies the primary fraudulent activity.

The similarity between both schemes is that as more and more persons join the schemes, the money from the newer, more recent persons is used to make the promised payouts to those who joined before, or the earlier investors. The payouts to the earlier investors are, in many instances, greater than the amounts they initially paid in which gives merely the appearance of profitability. The result is that in order for the scheme to continue, there must always be new persons investing in the scheme as, once new investors stop joining, the scheme will collapse and the payouts cannot continue. There is with this scheme an exponential or "snowball" effect because the scheme requires an increasing number of new investors in order to continue making payouts. To illustrate – in order to make a payout of \$540 based on an "investment" of \$100, this would require 5 additional persons to join the scheme. Once the additional 5 persons join, payouts to those would require an additional 25 persons. For 25 persons to now receive payouts, an additional 125 persons would have to join. These schemes increase exponentially until they inevitably crash.

In light of the above, Ponzi and Pyramid schemes are very harmful to the unsuspecting public as invariably, any payouts for all people joining these schemes depends solely on funds coming from the people who join afterwards. So, without new investors, money for payouts very soon becomes insufficient. Therefore, under no circumstances are these schemes to be viewed as bona fide investment programs as they tend by their nature to involve fraud.

The Commission hereby advises that the activity of any of the names listed above, or their agents or consultants, should be viewed as very high-risk and unsafe. Therefore, members of the public are advised to avoid these schemes for themselves and to not engage in soliciting persons to join such schemes. Persons who decide to join do so at their own risk. Anyone who is concerned about having transacted with the above named entities, their agents or their consultants, should contact the police.

Members of the general public are asked to exercise caution before participating in “get rich quick” programs and are encouraged to visit the Commission’s website at www.scb.gov.bs and review our tips to avoid fraudulent investment programs.