



WARNING TO THE GENERAL PUBLIC ABOUT PONZI AND PYRAMID SCHEME OPERATIONS IN UGANDA.

The Financial Intelligence Authority (FIA) is a Government of Uganda agency established on July 1, 2014, under Section 18 of the Anti-Money Laundering Act (AMLA), 2013 as amended, to coordinate the implementation of Uganda's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. It is the central national agency, responsible for the receipt and analysis of financial disclosures from Accountable persons and dissemination of financial intelligence to Law Enforcement Agencies to support the investigation and prosecution of money laundering and terrorism financing offenses.

The FIA is committed to protecting the integrity of Uganda's financial system as a foundation for economic growth and social economic transformation.

Therefore, the FIA hereby notifies the public that there are companies and individuals that are taking advantage of the challenging economic times faced by some members of the public to defraud them of their hard-earned savings by promoting false investment schemes and fraudulent ventures.

Whereas some of these entities may be legally registered and some have even acquired trading licenses from the responsible authorities, they are transacting business without acquiring a requisite license from an appropriate regulator(s). At first glance, these businesses appear to be engaged in legitimate businesses that are generating profitable economic activity, however, a close look at their operations reveals that these companies and individuals use funds collected from new investors to pay the return on investment for the earlier investors.

The General public is informed that companies and individuals with operations of this nature are fraudulent investments known as "Ponzi" and "Pyramid" schemes

and that these schemes operate without a license from regulators in the financial sector in violation of the existing financial sector laws. The government of Uganda has observed that the Ponzi and Pyramid Schemes manifest in sector-specific financial products, particularly capital markets investments, and has therefore identified the Capital Market Authority as the key regulator to undertake enforcement action against these schemes. As a matter of policy, the Government has initiated the process of amending the Capital Markets Act to prohibit business activities that have features of a Ponzi and or Pyramid Scheme. In the interim, the public is advised as follows;

1. If you are not sure about a scheme's legitimacy, contact any financial sector regulator to confirm its existence before you place any investments with them.
2. Always seek investment advice from licensed bodies whose list is accessible on the regulator's website.
3. While investing in any product, avoid making direct "cash" payments to the scheme representatives. All deposits should be made through traceable financial channels such as the bank, mobile money, etc.
4. Always seek adequate information about the product before undertaking the investment.

To identify a Ponzi or a Pyramid Scheme, the general public and all partners from the financial sector are requested to watch out for the following red flags or indicators that they are likely to be defrauded:

- i. If the promise is to invest for consistent returns in a short period without consideration of the market conditions.
 1. if the marketing of the scheme is too aggressive, such as making regular cold calls, or unsolicited messages, yet representatives are not willing to address all the queries you have before investment.
 2. If the promised investments yield high returns with low or no risk at all.
 3. if the entity or individual promoting the scheme is unlicensed.
 4. If what you are buying or investing in sounds ambiguous and does not make sense to you.
 5. If they ask you to make a down payment – usually an affordable sum of money so that they can register, you or send information about their product.
 6. If the scheme's major claim to legitimacy is its affiliation to influential persons in the political, religious, or business space.
 7. If the firm /scheme claims to be registered outside Uganda and has no clear operations as per Ugandan laws.

8. If you join and it is difficult to get payments.
9. If you don't understand the investments.
10. If the emphasis is on recruiting others to join the program for a fee and the Investors receive more compensation for recruiting others than for product sales.
11. If the commission is given in exchange for doing little work such as making payments, recruiting others, or placing online advertisements on obscure websites.
12. If you do not understand how the schemes' compensation system works.
13. If there is no genuine product or service being sold or if the product or service being sold is hard to value, like so-called "tech" services or products such as mass-licensed e-books or online advertising on little-used websites.

For further inquiries and to register your complaint, please reach out to the Financial Intelligence Authority at Rwenzori Towers (Wing B) 4th Floor, Plot 6, Nakasero Road, Kampala, Uganda, P. O. Box 9853, Kampala. Telephone: +256 414 231556, Email: fia@fia.go.ug, Website: www.fia.go.ug