

ATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 2704 [NW3205E]

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2704. Mr T Botha (Cope) to ask the Minister of Finance:

How many Ponzi schemes were (a) shut down and (b) referred to the SA Reserve Bank by the Financial Services Board for investigation in the past five years?

NW3205E

REPLY:

Before replying to the question, it will be useful to provide context to it.

The reference to “Ponzi schemes”

I assume that the reference to Ponzi schemes in the question refers to pyramid and related schemes as described in section 43 of the Consumer Protection Act, No 68 of 2008 (“CPA”).

In most instances, the promoters of these investment scams utilise funds from subsequent investors, to pay out earlier investors. In its “pure” form, these schemes simply use the method described above, and the operator or operators syphon off funds for their own purposes.

However, it is not uncommon for the scheme to have an element of lawful business, for the purpose of giving the scheme an air of legitimacy.

Typically these unlawful schemes are identified by the lack of an underlying (lawful) investment. In other words, the funds received from investors are utilised to pay other investors and are syphoned off, as opposed to being channelled to an actual investment product.

In terms of section 43 of the CPA, multiplication schemes and pyramid schemes are prohibited. This Act is administered by the National Consumer Commission, established in terms of the CPA.

In the CPA these schemes are described as follows:

“A ‘multiplication scheme’ exists when a person offers, promises or guarantees to any consumer, investor, or participant an effective annual interest rate as calculated in the prescribed manner, that is at least 20 per cent above the REPO rate determined by the South African Reserve Bank ...”

A pyramid scheme is where “... participants in the scheme receive compensation derived primarily from their respective recruitment of other persons as participants, rather than from the sale of any goods or services; ...”

The agencies responsible for enforcement

The CPA is administered by the National Consumer Commission (“Commission”). The Commission is responsible for investigating pyramid and related schemes and to enforce the relevant legislation and investigate contraventions of section 43. The Commission may refer contraventions to a Tribunal or the Consumer Court.

The FSB does not have jurisdiction to investigate pyramid and related schemes. However, a scheme might in some instances have a financial advisory and intermediary services component to it, in which case the FSB will investigate and take action.

By the same token, the South African Reserve Bank might also have jurisdiction, as these schemes in some instances amount to unlawful deposit taking and unregistered banking business.

When the FSB receives information with regard to a possible unlawful scheme, it does a preliminary evaluation of the scheme. In such instance the FSB might:

- Refer it to the South African Reserve Bank;
- Refer it to the Commercial Crime Unit of SAPS;
- Refer it to the Department of Trade and Industry; or
- Take its own enforcement action, if it has jurisdiction.

List of schemes

I set out below a list of cases that we suspect involved at least some element of one of these types of unlawful schemes. The FSB does not keep an official record of these referrals, and the list is therefore likely to be incomplete.

2008

Entity	Status
EOS Fin 9(Pty)Ltd	The matter was reported to the SAPS (Brooklyn Police Station). A docket was opened under CAS 1003/02/2009
Investone Investment (Pty)Ltd	Mr Hermanus (director of Investone) was convicted and sentenced to imprisonment for a period of 17 years, effective 10 years
WallSt500 Investments	Mr Cilliers was convicted and sentenced to imprisonment wholly suspended on condition that he repaid investors.
Money Maker	The matter was referred to the Reserve Bank

2009

Entity	Status
Solomon Marais Zietsman	Mr Zietsman was convicted and sentenced.

2010

Entity	Status
Intergrated Investment Management SA CC	The matter was reported to the SAPS. Mr Peter Duvenage has since passed away.

2011

Entity	Status
Dynamic Life	The matter was referred to the DTI
Michael Toerin t/a Michael Toerin Brokers	Mr Torien was convicted and sentenced to imprisonment for a period of 10 years

2012

Entity	Status
After Mist Trading	The matter was referred to the Reserve Bank
Bennj Investments	The matter was referred to the Reserve Bank and

Entity	Status
	DTI
CMM Cash Management Fund	The matter will be referred to the Reserve Bank
Hermanus Pretorius, Abante Capital	The matter will be referred to the Reserve Bank
Ikageng Tshaba dimaketse	The matter was referred to the Reserve Bank and DTI
Intsika Yethu Projects	The matter was referred to the Reserve Bank and DTI
Living Hope Financial Solutions/Thlala Nthebeni	The matter was referred to the Reserve Bank and DTI
Manna Lifestyle Travel	The matter was referred to the Reserve Bank
Queenswood Trading CC and /or Ms N Block	The matter was referred to the Reserve Bank
SDL	The matter was referred to the DTI
Shamabu Club	The matter was referred to the Reserve Bank
Siyabekezela Investments	The matter was referred to the Reserve Bank
Uphill General Consulting cc	The matter was referred to the SAPS

2013

Entity	Status
Aspaya Wealth Creation Partners	The matter was referred to the Reserve Bank
Defence X	The matter was referred to the Reserve Bank
Dumashe Trading and Service Cc	The matter was referred to the DTI
Dynamic Unlimited Empowerment	The matter was referred to the DTI
Ever Capital Investments	The matter was referred to the Reserve Bank
Green fields Trading Academy	This matter is under investigation
Greenfield/Goldfields	The matter was referred to the Reserve Bank
Home Rific Properties	The matter was referred to the Reserve Bank
ICFS Financial Services	The matter is under investigation
Jam Financial Planning	The matter was referred to the Reserve Bank and DTI
Ledimar Stock Trading Academy	The matter was reported to the SAPS (Johannesburg Central).). A docket was opened under CAS 624/09/2013
Megashare	The matter was referred to the Reserve Bank
Megashares	The matter was referred to the Reserve Bank
Motsoto's Trading and Investment	The matter was referred to the Reserve Bank
Mr JPA Swanepoel and Souvenir Finansiele Dienste BK	The matter was referred to the Reserve Bank
Navashore Private Equity Investment	The matter was reported to the SAPS (Jeffreys Bay). A docket was opened under CAS 168/06/2013
Naxa Invest	The matter was referred to the Reserve Bank
Propalux 46 Limited	The matter was referred to the Reserve Bank
Young stars Traders CC	The matter was referred to the Reserve Bank
Zantech Trading	The matter was referred to the Reserve Bank