



Financial Services Commission
Mauritius

Q&A Scams and Swindles (incl. Ponzi)

This Q&A aims at sharing the answers to questions received at the FSC from the public.

What do scams and swindles mean?

A Scam is a fraudulent business scheme whereas Swindle aims at defrauding people.

If you come across a scam please contact the police immediately. If you need assistance or more information, please contact the FSC.

The FSC is committed to protect consumers of financial services and products and investigates all complaints on its licensees, activities which have the appearance of financial services and any matters which can affect the good repute of Mauritius as a sound and reputable international financial centre.

What is a Ponzi scheme?

A Ponzi scheme is an illegal activity where returns are paid to its 'investors' out of their own money or out of the money paid in by subsequent 'investors' rather than from genuine returns / profits earned from investments.

Ponzi schemes usually offer abnormally higher returns within a short period of time, than any legitimate activity could possibly sustain to lure investors. Ponzi schemes inevitably collapse since they are inherently insolvent as soon as they start. A Ponzi scheme survives as long as new money keeps pouring in, and the moment the cycle stops, it collapses.

How does the FSC address scams such as Ponzi schemes?

A Ponzi scheme is a fraudulent and criminal activity for which no license exists.

The FSC takes actions against Ponzi schemes as soon as the FSC becomes aware of it. Section 44 of the Financial Services Act 2007 (FSA) provides the Commission with the powers to conduct investigations into the business of the entity allegedly carrying out/involved in the Ponzi schemes.

How does the FSC use its powers of investigation under Section 44 of the FSA in the case of such unregulated activities?

The FSC applies internationally recognised best practice and abides by the principles of natural justice. The FSC does not use its powers under Section 44 in an arbitrary manner.

- There is a clear procedure to follow as provided for in our legal framework. The FSC will start by initiating an information gathering exercise to ascertain the nature of the activity before coming to any views, adverse or otherwise. It will conduct an investigation to obtain concrete evidence where and when necessary.
- It is a criminal offence to conduct financial services activities without a licence.
- When the offence is of a criminal nature, the matter together with all the evidence collected is referred to the DPP/Police for any further investigation and prosecution.

When can the FSC go to court directly or apply to a Judge in Chambers?

Under Section 91 of the Financial Services Act 2007 (FSA), the FSC may institute proceedings against any person in respect of any offence under the relevant Acts. However, criminal proceedings are under the purview of the DPP and as such the FSC works in close collaboration with the Police and DPP for greater effectiveness.

It is to be noted that in case the FSC has **reasonable grounds** to suspect that a person is committing an offence under the relevant Acts or is involved in a financial crime, and the freezing of the assets of that person is deemed appropriate, the FSC will make the necessary application to the Judge in Chambers.

What has the FSC done about the Sunkai and Whitedot cases?

Given that Section 6(d) of the FSA, states that one of the FSC's functions is to:

“(d) identify and take measures to prevent and eliminate investment business abuse”,

as soon as it came to the FSC's attention that these entities (Sunkai and Whitedot) have been offering abnormally high-yield investments, the FSC set up teams to look into the operations and activities of the companies.

FSC conducted its information gathering exercise from internal sources and other enforcement agencies. The FSC exercised its powers under Section 42 of the FSA to request information from the companies.

(i) Sunkai

Following analysis of all information obtained, FSC conducted investigations at the premises of the company. Information received was analysed and shared with other enforcement agencies, including the Police and DPP.

(ii) Whitedot

Following analysis of all information obtained, an investigation on the premises of the company was scheduled but had to be put on hold following the CCID's intervention and arrest of the Directors.

The FSC is assisting the CCID with its investigation.

Does the FSC have an Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Code?

In 2003, the FSC issued Codes on the Prevention of Money Laundering and Terrorist Financing intended for the three sectors under its purview, (i) Management Companies for the Global Business sector (ii) Insurance Entities and (iii) Investment Business.

These codes were revised in 2005. The codes were consolidated and updated with the new FATF principles and the recommendations of IMF FSAP ROSC Report (2007). The code which is applicable to all licensees of the FSC was issued in March 2012 and came into force on 01 April 2012. The FSC conducted training courses on the new code for the industry.

How does the FSC assess its procedures and processes?

The FSC is a member of international standards setting bodies namely the International Organisation of Securities Commission (IOSCO), the International Association of Insurance Supervisors (IAIS) and the International Organisation of Pension Supervisors (IOPS). Keeping abreast of and meeting international standards and norms have become a necessity for regulators. The FSC continuously adheres to these international norms and standards to foster transparency, market efficiency, and the effectiveness of its supervision.

How does the FSC collaborate with other regulators around the world?

The FSC has signed Memorandums of Understanding (MOUs) with its international counterpart Regulators for exchange of information and enhanced capacity building.

The FSC is also a signatory of the IOSCO MMOU since May 2012, which enables the Commission to reinforce collaboration and exchange information with other securities regulators on the IOSCO **Appendix A** list.

What would you advise a person to do if he is a victim of a scam?

If you have been the victim of a scam or you believe you have been contacted by perpetrators of scams, there are steps you can take to protect yourself:

Step 1: Report the scam to the police immediately.

The police has the power to stop and arrest any person indulging in a fraudulent/criminal activity.

Step 2: Stop giving money

You should stop giving money to the company or individuals involved.

If you have given them your bank account details, inform your bank immediately.

Step 3: If you need more information, contact us on 4037000

Please provide as much information as you can about what has happened, including the company or person involved, their contact details and submit copies of any documents related to the transaction.

Step 4: Beware of ongoing or new scams

The people running scams are skilled, experienced and have persuasive skills that can easily convince you to part with your money. You should refuse to listen to their arguments and report them to the police immediately.

Step 5: Protect yourself from being scammed again

Verify that the company or the individual is duly registered with either the FSC or the BOM. If you still have doubts, contact the Regulators.

It is worth bearing in mind that authorised companies are unlikely to contact you out of the blue with abnormally high yield offers.

*Financial Services Commission
26 April 2013*

The Financial Services Commission (FSC) is the independent regulator of financial services, other than banking, and Global Business in Mauritius. The FSC's regulatory mandate is to license, monitor, and supervise the conduct of business activities in line with the internationally recognised principles and standards under the legal framework of the Financial Services Act 2007.

Disclaimer

This Q&A has been prepared for guidance and information purposes only and should not be construed as legal advice.

© 2013 – Published by the Financial Services Commission, Mauritius
FSC

FSC House, 54 Cybercity, Ebene, Republic of Mauritius
Tel: (230) 403 7000 Fax: (230) 467 7172
E-mail: fscmauritus@intnet.mu, Website: www.fscmauritus.org