Course Objectives

- Increase your knowledge about financial planning
- Improve your ability to make informed decisions
Investor Education: Ponzi Schemes
Presenters

Department of Commerce & Consumer Affairs
Office of the Securities Commissioner

Ty Nohara
Hawaii's Securities Commissioner

Amy Hudson
Senior Securities Enforcement Attorney
Lesson Objectives

• Define what a Ponzi Scheme is
• Provide tips to safeguard your investment
• Where to report investment fraud
Focus Areas

• We Regulate
• We Protect
• We Educate
How We Regulate

- Broker-dealers and their sales agents, and investment advisers and their representatives must be properly registered to do business in Hawai'i (HRS 485A)

- Call our Securities Compliance Branch at (808) 586-2722 to check the registration of securities professionals
How We Protect

Call or write to our Securities Enforcement Branch to report investment fraud or to file a securities violation complaint.

- Call (808) 586-2740 or Toll Free 1-877-HI-SCAMS (1-877-447-2267)
Investor Education Program:

- Conducts community outreach statewide
- Audiences range from Kupuna, to retirees, to working adults and our Keiki
- Provides free investor education and financial literacy materials via community events, group presentations, and direct requests
What is a Ponzi Scheme?

• A type of financial fraud in which investors are paid returns and repaid principal from later investors
• The name comes from a notorious swindler named Charles Ponzi
• He operated this kind of scam in the 1920’s in the United States
Investor A is paid "interest" with Investor B’s money.

Investor B is also paid a small amount of "interest".

Investor B invests money with Ponzi Promoter. Ponzi Promoter then turns around and pays a small portion of "interest" to all investors and keeps the rest for himself/herself. Because of this, both investors believe that this is a legitimate investment.

Source: NASSA Securities 101: Handbook For Law Enforcement Officials
Aloha Trading, Inc. / Perry & Rachelle Griggs

- **Amount**: $2.4 million
- **Number of Investors**: 12 (9 from Hawaii)
- **Affinity Group**: Family members of prisoners at Nellis Federal Prison, NV
  - Investments used to pay off other investors and for personal use
- **Case Partner**: FBI
- **Results**
  - Rachelle released from federal prison 6/10/14
  - Perry will be released from federal prison 11/7/17
Case #2

Billion Coupons / Marvin Cooper

- **Amount**: $4.4 million
- **Number of Investors**: 125
- **Affinity Group**: Deaf community
- **Promised Return**: 15-25% MONTHLY
- **Case Partner**: CFTC and SEC
- **Results**: CFTC ordered Cooper to pay $6.2 million in disgorgement and penalties
Steps To Safeguard Your Money

1. **BEFORE** you invest any of your hard-earned money - check and verify registration of the investment professional with the Securities Compliance Branch (808) 586-2722

2. Get everything in **WRITING**. Do your homework and make sure you understand the investment and any fees/commissions you will pay

3. **REPORT** Investment Fraud
1. Beware of promises of unrealistic returns
2. Diversify everything
3. Understand your investment
4. Don’t sign blank documents
5. Ask yourself, “Is this investment suitable for me?”
Call the Securities Enforcement Branch to file a complaint and/or report fraud:

- (808) 586-2740
- Toll Free: 1-877-HI-SCAMS (1-877-447-2267)
Contact our Investor Education Program to:

- Request fraud prevention materials and other financial literacy resources
- Schedule a presentation
- Request an exhibit at a community event
We have various types of investor protection materials available.
Schedule a Presentation

Our presentations cover 7 different topics including Ponzi Schemes.
Request an Exhibit

We provide materials from our office, as well as information from our local and national partners.
Visit our website for the latest news and updates

- investing.hawaii.gov

Follow us on social media to see what we’re doing and when we’ll be in your community

- HISecurities
Today we covered:

• How you can check the registration of your investment professional
• What is a Ponzi Scheme
• Tips to safeguarding your investment
• Where you can report investment fraud
• How you can get materials to help you make wise and safe investment decisions
Office of the Securities Commissioner
335 Merchant Street, Room 203
Honolulu, Hawaii  96813

- Check the registration of securities professionals
  (808) 586-2722

- Report investment fraud
  (808) 587-2267
  Toll Free 1-877-447-2267

- Request a presentation, exhibit or materials from the Investor Education Program
  (808) 587-7400
Take Charge of Your Money

- Visit Us
  www.ctahr.hawaii.edu/tcym

- TV channels
  - 354
  - 355
We would like to thank the following groups for their support:

- University of Hawai'i at Mānoa
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  - Information Technology Services-Academic Technologies
- State of Hawai'i Department of Commerce and Consumer Affairs, Business Registration Division, Office of the Securities Commissioner