



SECURITIES COMMISSION OF THE BAHAMAS

PUBLIC NOTICE

No. 8 of 2017

23 August 2017

Re: PINEAPPLE EXPRESS ASUE HOLDERS

This **NOTICE** is issued by the Securities Commission of The Bahamas (“the Commission”) pursuant to its authority under the Securities Industry Act, 2011, the Investment Funds Act, 2003 and the Financial and Corporate Service Providers Act, 2000 (the Acts).

It has come to the attention of the Commission that members of the public are being solicited to join a program known as **PINEAPPLE EXPRESS ASUE HOLDERS (PINEAPPLE EXPRESS)**, as a form of ‘asue investment’. The Commission’s position on ‘asues’ is that in Bahamian society, ‘asues’ are well-established forms of interest-free savings and/or borrowing conducted by private groups, each with a finite number of persons who participate by common agreement. In short, each person expects to receive the sum total of the amount of money they put in over a pre-determined time period. The ‘asue’, as described by the statement above, is not regulated by the Commission as it neither involves securities business nor does it involve persons providing a financial service for fee or reward.

However, the Commission has observed an increase in persons purporting to have devised different methods to have ‘asues’ include the participation of an **infinite** number of participants from the general public. Sometimes called “public asues”, the Commission has observed that, generally, these schemes are structured either like a Ponzi scheme or a pyramid scheme, bearing all the typologies of these infamous scams, both of which involve newer investors’ money being used to pay older investors.

BACKGROUND

PINEAPPLE EXPRESS has invited the general public to join in one of two ways. A person may pay a non-refundable twenty-five dollar (\$25) fee and deposit one hundred dollars (\$100) with the company and is promised that within fourteen (14) business days, he or she will receive the sum of five hundred forty dollars (\$540) as a ‘hand’. Otherwise, a person may pay a non-refundable twenty-five dollars (\$25) fee then deposit the sum of two hundred dollars (\$200) with the company and is promised to receive the sum of one thousand and fifty dollars (\$1,050) as a ‘hand’ within fourteen (14) business days. There is no obligation on any recipient to repay the sum received or to continue making deposits in order that another, later member may receive his/her payout.

Based on the above and on the Commission’s discussions with the principals of **PINEAPPLE EXPRESS**, this appears to be either of the aforementioned schemes, which are more specifically outlined below.

PYRAMID VS PONZI vs 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 schemes, but the schemes eventually fall apart when it becomes impossible to recruit new participants, which can happen quickly.

In one example, 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 cannot be paid.

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 a sum of money, purportedly involving an investment vehicle or product such as a mutual fund, in return for a greater sum of money or payout from the purported investment with little to no risk to the initial sum invested. In actuality, there is no investment in a mutual fund or whatever has been touted as being the investment vehicle or product and 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, as promised, greater than the amounts they initially paid in. 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 end 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 what comes from those 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 **PINEAPPLE EXPRESS**; its agents or consultants, should be viewed as very high-risk and unsafe. Therefore, members of the public are advised to exercise extreme caution when considering whether to engage with this entity or persons soliciting membership, aforesaid, on behalf of the entity. Persons who decide to join do so at their own risk.

Anyone who is concerned about having transacted with the above named company, their agents or their consultants, should contact the police.