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ASIC

Australian Securities &
Investments Commission

VIRTUAL STOCK GENERATION? IT'S VIRTUALLY IMPOSSIBLE.

The Australian Securities and Investments Commission's (ASIC) November monthly Gull Award takes on a more serious note this month with a scheme that has the potential to financially devastate people who are trusting enough - or desperate enough - to join it.

The winner of the November award, who wishes to remain anonymous, reported a stockmarket pyramid scheme being promoted in country areas.

Our winner became aware of the scheme after his parents were handed a poorly produced information sheet at a local community gathering.

The scheme operates on the internet via a "virtual stockmarket" and boasts of turning \$300 into \$147,000 over 12 months. It offers returns of up to 215% a year or 60% a month - profits that are virtually impossible to achieve.

It works by trading shares of virtual companies on a virtual stockmarket. You open an account with the group (giveaway clue #1: they require you to send money to them before you can participate) and once you have made a sufficient "return" on your "investment", you notify the group and they supposedly send you a check for that amount.

Our rightly suspicious winner logged on to the website of the scheme, where he learned it was actually a *game* registered in the Dominican Republic that did not guarantee any profits at all, and in fact could result in you losing all your money.

The danger of a scheme promising returns of this nature is that it encourages people to invest large amounts of money in the hope of creating a fortune.

The reality is that the more you put in, the more you will lose.

Of even more concern to ASIC is that the game promotes itself by signing people up as "affiliate members" to publicise it - with each affiliate receiving a portion of the funds invested by the people they join up.

This encourages a vicious circle where people who have lost money to the game's promoters then join others up to the scheme to try and recoup their own losses. These new people are in turn likely to lose their money and join others up, continuing the circle of loss that only turns a profit for the operators of the game.

ASIC is concerned this scheme will appeal to people doing it tough, who may be more susceptible to the lure of unbelievable profits and could put themselves at risk of losing everything.

ASIC urges people to *always* consult a licensed financial adviser before handing over any money to an investment scheme. Our booklet **Don't Kiss Your Money Goodbye**, available on the ASIC website at www.asic.gov.au or through our Infoline on **1300 300 630** can give you advice on how to choose an adviser.

You can help stop shonky schemes making money out of vulnerable people - if you come across a scam, enter it in the gullawards@asic.gov.au, and you really *could* win yourself \$50.

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