

FSCA issues public warning against The Prosperity Grid

In light of several complaints received from the public, the Financial Sector Conduct Authority (“FSCA”) considers it in the best interest of the public to disclose that it has conducted a preliminary investigation into the activities of an entity trading as “The Prosperity Grid”.

According to the complainants, the Prosperity Grid claims to be a rotational savings network made up of a community of individuals from all over the world. In South Africa we know these rotational savings schemes as “stokvels.” However, the Prosperity Grid does not appear to be a true stokvel. Members within the network receive pay-outs from new members who are introduced into the network. The FSCA points out that this therefore appears to be a pyramid scheme, which operation is illegal. The FSCA has referred the matter to other relevant regulators and authorities in South Africa, for them to consider and take further action if necessary.

As pyramid schemes do not fall within the jurisdiction of the FSCA we have closed our investigation but warn the public to take care and exercise caution.

Members of the public should always check that an entity or individual is registered with the FSCA to provide Financial Advisory & Intermediary Services and what category of advice it is that the entity is registered to provide. There are instances where persons are registered to provide basic advisory services for a low-risk product and then offer services of a far more complex and risky nature. The FSCA again reminds consumers who wish to conduct financial services with an institution or person to check beforehand with the FSCA on either the toll free number (0800 110 443) or on the website www.fsc.co.za as to whether or not such institution or person is authorised to render financial services.

Executive Committee:

Commissioner: U. Kamlana | **Deputy Commissioners:** A. Ludin | K. Gibson | F. Badat

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