

**TITS-BITS**

Vol.122

# **THE POSITION OF THE CBN AND SEC ON PONZI SCHEMES INVESTMENTS IN NIGERIA**

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Over the years, there has been a proliferation of various “get-rich-quick” schemes under the guise of different names and structural operations. From MMM to Racksterli and recently, CBEX, Nigerians have been robbed off of billions of their hard-earned money. These schemes typically promise high returns on investment with little or no risk, but are unsustainable as they rely on funds from new investors to pay early participants. As a result, their operations are not backed by law or any regulatory authority.

What does the law say? The principal law governing investment crimes in Nigeria is the Investment and Securities Act (ISA) 2007 enforced by the Securities and Exchange Commission (SEC). According to S. 38(1) of the ISA, it is unlawful for any individual or organization to operate as a fund manager or collect funds from the public without registration with the SEC. Ponzi schemes, including CBEX, typically bypass this regulatory requirement, making them illegal. Hence, the SEC has consistently issued warnings to the public, blacklisting platforms suspected to be Ponzi schemes and urging citizens to avoid them.

Furthermore, the Economic and Financial Crimes Commission (EFCC) Act empowers the EFCC to investigate and prosecute financial crimes, including fraud, money laundering, and illegal investment schemes. Operators of Ponzi schemes can be charged with obtaining money under false pretenses, a criminal offense under the Criminal Code Act and the Advance Fee Fraud and Other Fraud Related Offences Act.

The Central Bank of Nigeria (CBN) has also warned that most of these schemes are not licensed financial institutions, and participating in or promoting them is a breach of financial regulations.

Clearly, Nigerian law prohibits Ponzi Schemes such as CBEX. While operators can face prosecution and severe penalties, it is important for Nigerians to take heed from falling victims as there is little to no assurance of reimbursing them.

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