

SOMEWHERE ALONG THE LINE...

You and I have been approached by someone who had a “*deal of deals*”, a “*chance of a life-time*”, an “*opportunity to get in on the bottom floor*” or to enjoy the benefits of a “*cash-cow investment program*”.

It probably went something like this:

A friend who went to school with this son of a financier, (that turns out to be a variation of a s.o.b., perhaps, son of a banker) is involved with an investment consortium in Europe. This consortium is a special group of investors that trades in secret and private investment markets that offers very high market rates in high yield investment programs – or HYIP. Now this consortium is able to accomplish this by investing in special securities trading programs known as bank debentures and medium term notes (MTN's) for a very small group of privileged customers in Europe. This is done in a “secret” secondary market that is so secret that even your own banker may not be privy to such information. If he did know he would be sworn to secrecy and not be able to share this information with just anyone.

Now this secretive program is very complex and it is quite difficult to express in layman's terms, but this “son of a financier” will take time to explain it to you because he is a friend of your friend. He furtherly forewarned you that if you were to investigate this “once in a lifetime” offer, make waves, or, if word got out that you were asking too many questions about it, you would run the risk of being expelled from participating in these secret secondary markets – forever!

Your funds will never be at risk because they will be placed in a bank account jointly with a “*trader*”, “*master programmer*” or “*trading facilitator*”. Your funds will never be used and therefore never at risk. They will be used only for “show” since your bank will issue, on your behalf, a “*blocked funds letter*” advising that your funds are available in the account, that they are “clean and of non-criminal origin” and are free and clear of “liens or encumbrances”. Furthermore, they will only be blocked for a specific time frame because these funds will eventually be transferred to that joint account with that “trader”, “master programmer” or “trading facilitator”, and they could never be withdrawn without your signature.

Once your funds are transferred to that joint account with the “trading facilitator” he will immediately contact the consortium who will pool your funds with other esoteric “friend's accounts” and begin to invest, without any risk whatsoever, in bank debentures, discounted standby letters of credit, bank guarantees, medium term notes and other financial instruments, that can be traded for a profit in this secret secondary market.

Also, one very large branch of this secret secondary market is hosted by the top 100 western European Prime Banks. These banks comprise such a huge segment of this secondary market that the US Federal Reserve, the United Nations, the US

Treasury Department, the Comptroller of the Currency, the Bank of England, the Bank of International Settlements, and even the World Bank invest in this secret market. The International Chamber of Commerce even sanctions it. It is vast and it is secure. The US Federal Reserve actually has special *“Master Collateral Commitment Holders”* assigned to monitor these transactions just to insure the safety and to maintain the “no risk” factors in these secretive trades. Further to this, the Federal Reserve has even set up “safety check points” within this secondary market, viz., *“Master Account Holders”*, *“Central Account Holders”*, and *“Grand Masters”* to oversee each and every trade to insure the integrity and safety of the program.

You friend's friend even had the patience to explain to you some of the built in mechanisms that insure the safety of the trades. Just to help you gain your comfort level he introduced you to the concept of *“buy/sell agreements”*, *“purchase/redemption”*, *“purchase/resell”*, *“enter/exit” guarantees* that each trade is guaranteed before it is executed. “You see”, he told you, “before every trade is made there is a buyer lined up to buy at the very same moment your financial instrument is offered for sale.” “What better security can you have than that?” And, once you are in the program and you start to enjoy the yields of 2-8% per week, you can even re-enter at a much higher level. You could put your profits into a *“roll program”* so that not only will you be able to enjoy this enormously high yield at the level where you entered, but you could also “kick-it-up” to a much higher level without breaking the continuum. And, would you believe there is even another built-in security? This secret market guarantees 108% of the principal and interest with a bank guarantee or safekeeping certificate that assures a minimum of 2% per week. With this 108% mechanism, 100% of your principal is secured and with the 8% the principal is earning a respectable interest in addition to the exorbitantly high yields you will be earning with out risk from the investments you will be making in the secret secondary markets.

There are even special situations with International Chamber of Commerce (ICC) *London Short Form Letters of Credit (ICC 3034)* and the *London Long Form Letters of Credit (ICC 3039)*, that carry the integrity and sponsorship of the prestigious ICC. Of course, this special opportunity carries the ICC Investment Programme Approval.

Your commissions will be guaranteed by Irrevocable Bank Purchase Orders (IBPO) and Irrevocable Bank Pay Orders (IBPO), the former stands by ready to “buy” your financial instruments and the latter immediately issues a “pay order” for the arbitrage you made from each sale and deposits your “profit” into your special account. These profits and your original funds are furtherly protected with *“safekeeping certificates.”*

“...and, you know when you are dealing with high finance you must be very careful and suspicious”, he warned you. Just to let you know some of the inner workings of the *“Grand Masters”*, they require from all potential buyers, even those

who are prestigious, that they must issue *Ready, Willing and Able (RWA)*, *Ready, Willing and Able to Deliver (RWAD)* and *Ready, Willing and Able to Perform (RWAP)* documents in order for them to facilitate smooth transactions.

Now this son of a financier was really helpful. He even explained how these top 100 Western European Banks deal in *Prime Bank Notes (PBN's)*, *Prime Bank Guarantees*, *Prime Bank Debt Obligations*, *Prime Bank Securities*, between and amongst themselves, and the principals want to remain anonymous. However, secrecy prevails even amongst them. He had you promise, on your honor, that the information he was sharing with you was very private and privileged. Then he went on to explain that when these top banks are dealing with PBN's that they go to specially assigned "*Cutting Houses*", those that have been nominated by the US Federal Reserve System, to issue three different categories of new PBN's; "*Live*", "*Fresh Cut*" and "*Seasoned*". The *Live PBN's* meant that they were being traded at a fixed rate of discount, *Fresh Cut* that they were being issued for specific transactions and *Seasoned* meant that they have been around for some time and were available at a lower discount. He also gave you a second version of these PBN's. The trading of these PBN's deals primarily with very large notes, those with values of US\$100 million or more. So, the trading process includes a large instrument that is divided into smaller denominations by a "cutting house", the smaller denominations are "fresh cut" and later are referred to as "seasoned."

As your friend's friend leaves, you begin to soliloquize, "How fortunate you are to have met your friend's friend and to be given this "chance of a life-time" opportunity to invest with the "big boys". Your money will be invested in a HYIP program that is 100% guaranteed with zero risks. This is truly a dream come-true!"

As you begin to identify with this magnificent investment opportunity and vicariously weave yourself into this program, it is suggested that you step back and read some of the informative articles cited below.

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Pumping the Prime :

'Prime bank' schemes are back—and targeting the middle class

BY KIM CLARK

Secretive hedge funds return 40 percent a year to elite investors. Techies double their money overnight on Internet stocks. So when a wealthy man admired by their church friends offered a chance of that kind of sudden wealth to truck driver Murray Faber and his wife, Faith, they grabbed it.

Their new friend introduced the Skamania, Wash., couple to salesmen purporting to be from Zappa International Corp. The pitch: Zappa would use an "offshore trading program" of debentures (corporate IOUs that aren't backed by any collateral) issued by "prime banks" to triple the Fabers' money in 30 days. Murray Faber handed over a check for \$40,000, his life savings, thinking: "The people with big money get this all the time, and now the common folk were getting a chance."

He was right. The Fabers' money disappeared into what regulators say are mythical investments that have been taking the rich for years. There's no such thing as prime-bank investments, says the Securities and Exchange Commission. After months of demanding a refund, the Fabers sued Zappa and the salesmen. In January, a federal grand jury also returned criminal fraud charges against some of the men behind the scheme. Not that it did the Fabers much good. When Faith became ill last year, the Fabers had to borrow to pay bills. "We're wiped out," Faith says.

New targets. Seven years after prime-bank schemes began ripping off wealthy individuals and prestigious charities such as the National Council of Churches of Christ, prosecutors say the fraudsters have broadened their targets. Now they're going after the middle class. Last year, thousands of American investors like the Fabers lost more than \$100 million to at least 15 prime-bank schemes, according to the SEC. That's twice the activity the SEC found in 1997. "This," says Harold F. Degenhardt, administrator for the SEC's Southwest district, "is the fraud du jour."

Of course, people have been falling for get-rich-quick schemes since the dawn of history. But what makes prime-bank deals so enticing—and dangerous—is that they combine the two key elements of a great scam: greed and plausibility.

They lure investors with visions of spectacular profits, such as Zappa's alleged promises of up to 200 percent a month.

The grifters sink the hook with a pitch something like this: A secret group of European traders buy AAA-rated debentures at deep discounts—a \$10 million note, for, say \$8 million. The traders often say they get the discounts because they are working for "good causes." These traders say they sell the note at face value to pension funds. They then say they are gathering small investors to create a pool to buy one note, which they'll sell for a quick profit. They'll roll that profit into more notes and more profits.

Dress the pitch up in fancy banking language, and it becomes almost believable. A brochure the Fabers received explains that the investors' money will be used to trade "debt obligations of the Top One Hundred World Banks in the form of Medium Term Bank Debentures. . . . These Bank Instruments conform in all respects with the Uniform Customs and Practice for Documentary Credits as set forth by the International Chamber of Commerce, Paris." The kicker: "Investors funds are never put at risk," the brochure states.

It sounds impressive. And some of it is almost accurate. Walter Wriston, the retired CEO of Citibank, notes that many international financial transactions

are arbitrated through the International Chamber of Commerce, for example. And big banks sometimes do issue "medium-term debentures" at discounts. But the discounts compensate for higher risk. The guarantee is the warning flag, Wriston says: "Anytime somebody tells you something is risk free, grab your wallet."

Fast pitches. Perhaps most insidious of all, these schemes are being pitched by seemingly respectable public figures, well-known businessmen, even pastors. When the schemes collapse, many of those involved insist they believed in the investment and they, too, were victims. Certainly that seems the case for someone like Sherwood Craig, a Maine televangelist, who was fined \$25,000 by a federal judge in 1997 for pitching "church related" prime-bank notes that supposedly paid more than 1,000 percent a year. His victims included his parishioners and two of his sons. The Reverend Craig didn't return calls and letters asking for comment.

But some funnel investors' money into hard-to-confiscate overseas bank accounts, or fancy cars, jewelry, or real estate. John F. D'Acquisto, a former pitcher for the San Francisco Giants and San Diego Padres, was found liable by a federal judge in 1996 for his role in a \$7.4 million prime-bank fraud. He spent some of his investors' money on luxuries such as racehorses and rights to a Mexican baseball franchise. D'Acquisto, who is serving time for another fraud, declined comment.

Recently, investigators say, some prime-bank masterminds have morphed their schemes to avoid detection. In 1998, for example, the SEC sued three firms that sold allegedly worthless historical railroad bonds and then poured that money into allegedly mythical overseas bank debentures. The Internet is rife with Web sites offering deals that seem to use many ideas found in prime-bank frauds. One, for example, offers "self-liquidating loans" that supposedly don't have to be repaid because some of the money is invested in a "secret offshore rollover."

Most worrisome: There's no evidence that the boom in prosecutions is making much of a dent. "We have more prime-bank cases than we have the resources to follow up on," the SEC's Degenhardt says.

So while fraudsters master the arcane details of international banking law and mount ever more sophisticated Internet marketing campaigns, investors must rely on low-tech defenses like common sense. Unfortunately, in a world of investing where the highest stock prices seem to go to the companies that lose the most money, common sense is in short supply.

If it sounds too good to be true

Guaranteed profits, secrecy demands, and a too-good-to-be-true reaction are the usual signals that you're about to be taken. Watch for these telltale signs of a possible prime-bank scam.

Phony affiliations: Beware of any scheme that implies a link with the Federal Reserve, the International Monetary Fund, or a like entity. These groups do not endorse such investments.

Buzzwords: Because the phrase "prime bank" is becoming well known, the latest frauds use other impressive-sounding but often meaningless banking terms such as "trading" or "roll programs" of "top 25" bank debentures or letters of credit.

Misspellings: Surprisingly, fraudsters often fail at details. The Quantum Group, now being sued by the SEC, pitched its "trading programs."

FROM SKEPTIC TO BELIEVER

A Rare Interview With a Seller of 'Bank-Issued Debentures' :

Signed pictures of presidents Clinton and Reagan hang on the walls of Lew Rivlin's fancy Washington, D.C., office. The attorney and investment adviser interrupts conversations to take mysterious calls: "He'll arrive 12 noon California time from Switzerland. . . . The money will be wired into my attorney account. . . . We are working on something major in Abu Dhabi." If his name seems familiar, he'll acknowledge that his ex-wife is deputy chairman of the Federal Reserve Board. (Through a spokeswoman, Alice Rivlin, who divorced him in 1977, said the Fed has long warned against prime-bank scams and has no involvement in "sale by banks of deep discount, high-denomination notes for humanitarian purposes." She declined to comment on her ex-husband.) This seemingly impressive man is being sued by some investors and is the subject of a Securities and Exchange Commission investigation for allegedly running a prime-bank scam. He denies wrongdoing and told Senior Editor Kim Clark he has helped others earn spectacular returns from legitimate trading. He broke the code of secrecy to explain how these investments work.

People have been talking about prime bank—

First of all, nobody uses the words "prime-bank notes" except the SEC. The proper terminology is "medium-term notes" or "bank-issued debentures."

How did you get involved in this?

About 10 years ago, somebody told me that this type of trading activity existed. And my skepticism was extreme.

Why were you skeptical?

(A) Because it was confidential; (B) the yields were very high; (C) I'm an old antitrust lawyer and I expect markets to function in such a way that this kind of return is not possible. My skepticism escalated when I learned that substantial transactions required that a project benefit mankind in some way.

So how did you change your mind?

I kept looking, and I saw whited-out documents from completed transactions that appeared to be authentic from people who are credible. Then, a client did it and got his money every week the way he was supposed to. He got his

money back at the end of a year. And at that point nobody could tell me it didn't exist. I saw it with my own eyes.

Who was that client?

(Silence)

How much did he make?

He put it with someone who, for marketing purposes, keeps the returns below what they could be because it is easier to tell someone they can make 2 percent a week than to tell him he could make 20.

I don't understand why the banks give you discounts.

There aren't a lot of people who can buy things that aren't securities. No brokerage house, no insurance company can buy these until they get CUSIP numbers and become screenable. [The Committee on Uniform Securities Identification Procedures gives all investments tracking numbers.]

But these banks have plenty of experts on staff. Why don't they do what they need to do to avoid selling at a discount?

Well, I guess I just don't know, so I can't help you.

You know, the Federal Reserve says these investments don't exist.

Absolutely, and I want them to. . . . Who makes the most money out of it?

Who?

The United States.

Government?

Yes.

Why?

They actually get a share of the profits.

That's not normal in other trading programs.

Nothing in this is normal.

Incidentally Lewis Rivlin's name appears in SEC Litigation Release No. 16179/June 8 1999, and Zappa International Corporation appears in Litigation No. 155984/November 20, 1998.

BANKERS DIGEST FINANCIAL

By Richard E. Coleman, Forensic Accounting Principal in Coopers & Librand. He is a founder member of the National Fraud and Investigative Group.

No honest, competent banker who had given the matter a moment's thought would believe that there exists a secret market in which banks trade where profits of 2% a week can be earned without any risk to capital.

Nevertheless, there are numerous intermediaries who say they have been introduced to bankers who have said this and who purport to trade in such a market.

The story given to investors throughout the world goes something like this.

Myth number one

Banks issue 'instruments' at substantial discounts to other banks. The instrument is called a prime bank guarantee or a standby letter of credit or a blocked funds certificate or something similar – some kind of promise that a bank will pay a sum of money at a future date – an instrument for which there is no recognized market. Attention tends to focus on the instrument rather than the substantial discount. Standby letters of credit do, of course, exist but by their nature they cannot logically be traded separately from the obligations they guarantee; blocked funds also exist and it is easier to imagine a market for them similar to the market in third world debt.

Typically the issuing bank is said to be one of the top 25 world banks (a prime bank); instruments from a selection (or menu) of issuing banks may be on offer.

The discount is said to be much more than the amount required to allow for interest. The issuing bank will be said to be receiving, typically, 86% of face value for an instrument with a 7.5% coupon maturing in a year and a day. Such generosity is, of course, unthinkable. Why would any banker wish to incur such losses? An answer which some appear to believe is that the instrument has been carefully designed to have a maturity date of one year and a day – and so, according to the fraudster, it does not have to be included on the bank's balance sheet! The logical extension of this proposition is that the banks which issue such instruments are preparing false accounts and may be helplessly insolvent; it is also said that this is well known to the banking regulators throughout the world and is condoned as a necessary way of managing the money supply. It is sad that banks have such a poor reputation in some eyes.

In response to the obvious question 'How can banks make profits by issuing such instruments?' it is said that banks use the money received to fund credit card business at interest rates of 30% or so, leaving plenty of margin to pay for the extra discount on the 'instrument'. This presupposes that other sources of borrowing at cheaper rates have been exhausted.

Myth number two

Banks are said to trade amongst themselves in a 'secret market' in instruments and will, reluctantly and on conditions of the utmost secrecy, permit privileged investors to participate in the market provided they have the resources and introductions to do so.

Banks are said to deny that the 'secret market exists or that they participate in it. Against this it is said that banks would be expected to deny the existence of the market because if too many people know about it the huge profits would disappear. However hard the investor may try he/she will be unable to locate the 'secret market'. It is said to have no physical location – it is an inter-bank market.

At an early stage in the trading process the 'instrument', which is for a large sum, is said to be divided up into smaller, more saleable denominations. This process is said to be carried out by a cutting hours, by someone described as a 'master cutter'. The smaller denomination instruments are said to be 'fresh cut' and after they have been around for while they become seasoned. The reader should, of course, take this with a large pinch of salt.

Trades in the 'secret market' always seem to be at a profit and never at a loss. The profit on each trade is typically described as being 2% (even though elementary arithmetic says that if you buy at 86 and sell at 88 your profit is more than that). After a number of banks have traded the 'instrument' it is sold on to an institutional investor, at a discount which corresponds to the interest rate, who holds it to maturity.

Myth number three

Banks run 'roll programs' where an investor deposits say \$5 million at a bank, usually in another country, which is said to be managing a regular series of purchases and sales of 'instruments' for a group of investors. This enables much larger sums to be invested and this is said to be a market for big players. The investor with a mere \$10 million may find this is his/her only way to enter the market. The investor will be given plausible reasons why the money has to be sent to an overseas bank. The real reason is likely to be that moving the money to another country lessens the risk to the fraudster that he/she will be prosecuted.

When the investor asks for the return of his/her investment he/she may be told that the programme is in the middle of a 'roll' or that he/she cannot withdraw from the programme until there is another investor willing to join. In reality the money is probably long gone.

How has this fraud survived for so long? It was the subject of warnings of the British Bankers Association as long ago as 1992 and banks have long had standard procedures to deal with 'funny money' or 'ghost money'. Bankers who recognise that

their customers are thinking of making this type of investment ten to discourage their clients but not in terms sufficiently strong to persuade the customer that he/she is on a course likely to result in substantial losses to a fraudster. The customer will be told by the fraudster that he/she can well understand the warnings the banker has given; they are natural consequence of the bad press give to the market – but he/she has access to another bank which actively trades in the market and will confirm that the market is genuine.

Myth number four

The investor may be told that his/her capital can be held by a ‘fiduciary banker’ and will not actually be invested in an ‘instrument’ or in a ‘roll programme’ but will remain on deposit, can be withdrawn at short notice and will not be at any risk at any time.

Nevertheless, the roll programme manager will be able, extraordinarily, to trade in the ‘marker’ and to earn substantial profits for the investor. It beggars belief that anyone would fall for this story. If the manger can trade on credit he/she does not need the investor’s deposit and would be extraordinarily generous if he/she shared the (illusory) profit with the investor!

“The fraudsters who design the pseudo-legal documents typically found in these schemes seem to have a well developed sense of humor” – Laughing all the way to the bank.

The fraudsters who design the pseudo-legal documents typically found in these schemes seem to have a well developed sense of humor. Usually the gullible would-be investor is required to state that his funds are ‘good clean funds of non-criminal origin’. A recent variation provided that the agreement would be dissolved ‘should any party be found guilty of any unlawful acts; and/or be found guilty, under a United States, Canadian, Switzerland, United Kingdom, any nation, or Interpol indictment for international bank fraud’!

What can bankers do to stop this fraud?

The Bank of England asked, in a letter to all authorised institutions dated 29 March 1994, that any such schemes should be brought to the attention of its Special Investigations Unit, notwithstanding any action the institution might take to disclose to the relevant law enforcement authorities.

Publicity may be helping. Perhaps some would-be investors are being deterred by reading articles such as this, but despite the publicity given to these schemes over the past few years the fraudsters seem to continue to find victims willing to sacrifice large sums of money. Bankers approached by customers seeking to open bank accounts through which ‘trading’ will be conducted, afraid of libel writs, politely decline to open the account and suggest to the customer that he/she should not get involved but are frequently not sufficiently open with the customer to dissuade him/her. The

fraudster is likely to tell his/her intended victim that such a response demonstrated that the market exists but cannot be accessed through that particular bank on that particular day. The answer which bankers should give should leave the customer in no doubt that he/she is about to be a fraudster's victim and very much poorer.

North American Securities Administrators Association (NASAA)

"Investors Warned About High-Yield 'Prime Bank' Fraud"

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Washington (December 29, 1998) – With interest rates at 30-year lows and the stock market setting record highs, many investors-especially older Americans who depend on interest and dividend income-are vulnerable to con artists pushing an old scheme-bogus "prime bank" investments that promise "risk free" annual returns of 20 to 200% or more. The investments-supposedly debt obligations guaranteed by the world's top 100 banks, or "prime banks" – are costing investors tens of millions of dollars, say state securities regulators.

In recent months securities regulators in at least 12 states and one Canadian province have brought actions-ranging from cease and desist orders to criminal convictions – against 33 companies or individuals offering supposedly safe and lucrative prime bank investments, according to the North American Securities Administrators Association (NASAA). The Securities and Exchange Commission (SEC) took at least 11 actions this year against prime bank fraud, up from 5 actions in 1996.

The schemes go by many names: bank secured trading programs, high-yield investment programs, standby letters of credit, prime bank notes. The common denominator: all are supposed debt obligations guaranteed by the world's top 100 banks or "prime banks".

Con artists claim only big corporations, foreign banks or ultra-wealthy investors know about them. In Idaho, regulators say con artists tried to lure investors by suggesting that a "Saudi oil sheik" and "the Onassis family" were poised to invest in the same prime bank-trading program.

"They're pitched as secret trading programs that the Rothchilds and Rockefellers set up years ago, which are only offered to the elite," says Tony Taggart, Utah's Securities Commissioner. "They're supposedly so secret not even the traders are identified. The real reason is because there are no traders," adds Marilyn Scanlan, Bureau Chief of Idaho's Department of Finance, "This market is purportedly so secret that investors are told not to independently investigate the offering or risk being permanently expelled from participating in these markets."

Prime bank schemes are recurrent securities fraud, say regulators. "Like wide and narrow ties they go in and out of fashion and now there are back in style," says

Peter C. Hildreth, NASAA President and New Hampshire's Director of Securities. In 1993 federal regulators, including the Federal Reserve Board and the Comptroller of the Currency, issued a joint warning about prime bank investments.

Many prime bank scam victims are senior citizens. In Missouri two elderly women in nursing homes, aged 90 and 87, invested a total of \$300,000 in bogus prime bank debt obligations.

Con artists claim the money goes to finance international investments such as roads and health care facilities. In fact, the stolen money goes to mundane purposes. Utah regulators allege a Jupiter, Florida man spent \$50,000 raised in an alleged prime bank scheme on mortgage payments and a Jeep sports utility vehicle.

Not just individuals are scammed. In New Mexico, say regulators, the city of Clovis lost \$3.5 million in a prime bank scheme. County treasurers and small town finance officers are prime prey, according to Michael J. Vargon, Deputy Director of the New Mexico Securities Division.

Con artists reach investors in different ways – over the phone, in person and via the Internet. In Kansas a dozen potential investors gathered in a meeting room at the Holiday Inn at the Wichita Airport and were told about a prime bank scheme purportedly designed to raise money for the International Monetary Fund. The Minimum investment was \$25,000, which they were told would yield \$1.9 million in two years. Investors in New Mexico and Pennsylvania were solicited over the Internet.

The schemes cost investors tens of millions of dollars, state regulators estimate. In Washington State, one scam raised more than \$17 million from at least 28 residents. In the Canadian province of Saskatchewan six scams regulators investigated were believed to have cost investors \$5 million (Canadian). “The actual amount (of losses) could be much higher,” says Vic Pankratz, Saskatchewan's Deputy Director of Enforcement.

These investments violate a cardinal rule of finance, says Ryan Ushijima, Hawaii's Commissioner of Securities. “The simple rule of investing is the higher the possible profit the higher the risk. If anyone claims that a high yield investment has no risk, don't believe it.” Ushijima also cautions investors not to be hasty. “ A solid investment will be around tomorrow – after you've had time to thoroughly check it out with your state securities regulator and independent financial experts.”

States taking recent action against prime bank frauds include Alabama, Arizona, Hawaii, Idaho, Kansas, Missouri, New Mexico, Ohio, Pennsylvania, Utah, Washington and Wisconsin.

Commenting on a prime bank action his staff brought, Mike Burton, Director of Arizona's Securities Division, warned: "There are no risk-free returns of 18 percent; not with 30-year Treasury bonds yielding 5 percent today." Some investors, however, probably will disregard regulators' warnings. Says Dave Wayment, investigator with Utah's Division of Securities: "There is a group of investors who insist on believing that there are 'secret' investments which pay high returns with no risk; this is just a fantasy."

I was introduced to an interesting quote many years ago. I don't remember its author but it goes something like this:

"He who must rely on quotes of others to be supportive of what he is asserting probably did not have enough ingenuity to say it himself, in the first place."

So, with that emblem on my forehead putting pressure on my memory I would like to share three other quotes that come to mind anyway, all of which are apropos.

"Speak English", said the Eaglet. "I don't know the meaning of half these long words, and what's more, I don't believe you do either." Lewis Carroll (referencing the special terms used by fraudsters).

"Knowledge is the only instrument of production that is not subject to diminishing returns." J.M. Clark (Pun intended, of course), and

"If a little knowledge is dangerous, where is the man who has so much as to be out of danger?" T. H. Huxley