

PRESS RELEASE ON CRYPTOCURRENCIES AND PONZI SCHEMES IN UGANDA

KAMPALA, UGANDA – November 28th, 2019

There are several ponzi schemes today purporting to be cryptocurrency businesses. New Vision on 28th November run a story exposing one such company, Global Cryptocurrencies Ltd. These companies, including OneCoin and Dagcoin are scams fleecing society disguised as cryptocurrency businesses.

As an umbrella comprising legal, academic, and technical expertise in blockchain technology, the Blockchain Association of Uganda (BAU) has received several questions on how to avoid such scams. This statement therefore serves as a guide to the public to avoid falling prey to these ponzi schemes.

A Ponzi scheme is a fraudulent investing scam promising high returns with little risk to investors. Ponzi schemes generate returns for older investors by acquiring new investors. New investors' funds are used to pay the earlier backers, and as a result the funds are insufficient, and the scheme collapses. OneCoin, DagCoin, and Global Cryptocurrencies are ponzi schemes just using the cryptocurrency and blockchain phraseology to disguise and execute their schemes. Ponzis operate similarly, irrespective of whether they are using shillings, dollars, euros or cryptocurrency, as a medium of value transfer.

Some of the key red flags to look out for in spotting a Ponzi scheme include the following:

- High investment returns and little risk
- Overly consistent returns
- Unregistered investments
- Unlicensed sellers
- No minimum investor qualifications
- Lack of proper paper work
- Difficulty receiving payment
- Comes through a shared affinity

For crypto ponzi schemes in particular, an important red flag is that the purported cryptocurrency can only be bought, traded or exchanged by the company, or on only one exchange.

Similar to how legitimate ordinary currencies like the USD, UGX and GBP are globally tradable through foreign currency exchanges (or forex bureaus), so are legitimate crypto currencies like Bitcoin, Ethereum and Ripple globally tradable through crypto exchanges. If a crypto investment opportunity says that its cryptocurrency cannot easily be exchanged on a global market, then this is an important red flag.

The Blockchain Association of Uganda is committed to the development growth and prosperity of a vibrant blockchain ecosystem in Uganda. Safeguarding the public is core to our mandate, and it is therefore our duty to bring to light any and all ponzi schemes that are detrimental to this industry.

The Blockchain Association of Uganda has provided this information as a service to the general public. It is neither financial advice, nor a statement of the Government of Uganda, but of industry experts.

In case of any further queries on this statement, you can email us on info@blockchain.or.ug