



Financial Supervision Commission

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PUBLIC NOTICE

This notice is issued by the Financial Supervision Commission ("the Commission") in accordance with the powers conferred upon it under Section 22 of the Financial Supervision Act 1988.

"West African Fraud" or "419 Fraud" – Advance Fee Fraud Spurious banking institutions claiming to operate from the Isle of Man

The Commission has issued a number of public warnings over the last year relating to banking institutions which spuriously claim to operate from the Isle of Man, and in some cases to be licensed by the Commission to conduct banking business. An up-to-date searchable list of all licenceholders can be found on the Commission's homepage by clicking on the "Licenceholders" icon.

A number of the spurious institutions which have been the subject of our public warnings are an integral part of a wider fraud, commonly called West African Fraud or 419 Fraud.

It is called this because the frauds are generally committed by organised criminal gangs originating in West Africa but mainly operating from Europe or the United States. The fraud is so strongly connected with Nigeria that it became common to refer to it as "419 Fraud", the section of the Nigerian Penal Code relating to fraud. However, the fraud has also become associated with other countries such as Sierra Leone, the Ivory Coast, and Liberia (hence the term West African Fraud), but there are also instances of it in connection with countries in the south of the African continent, and limited examples of it in connection with the Far East.

How the 419 Fraud works

Detailed accounts of how the fraud operates and real examples of the emails sent by the fraudsters can be found at the following websites:

<http://www.quatloos.com/scams/nigerian.htm>

<http://home.rica.net/alphae/419coal/>

<http://www.419fraud.com/>

Intended victims generally receive an unsolicited email from free web-based email accounts such as those provided by Yahoo, Excite, Hotmail, Eudora, etc. The sender generally purports to be a current or former senior government official, or a close relative of a deceased or deposed African head of state.

The email asks them to participate in a conspiracy to launder huge sums of money supposedly secretly hidden away by the government official or head of state. The money is presented as the

proceeds of fraudulently inflated government contracts, money forgotten or unclaimed in dormant bank accounts, or wealth obtained through the advantages of senior position and influence. Variations of the fraud can also suggest that the money belongs to the persecuted family of a prominent deceased person, or is unclaimed money belonging to a deceased person who has no living relatives. While the exact details may vary, the common theme in all emails is that the money cannot be easily accessed and spent in the country in question, and must be moved to a foreign jurisdiction.

The victim's part in the conspiracy is to provide a bank account to receive the money in a foreign jurisdiction, in return for which he is offered a generous share of the proceeds, generally 25-30%. The victim is always requested to keep the arrangements completely secret.

Victims are initially requested to pay a relatively modest amount in "fees", supposedly to pay bribes to relevant officials, taxes, customs duties and the like. Once financially ensnared in the fraud in this manner, victims are then requested to pay more and more money over in fees to provide the solution to an ever-growing list of problems which prevent the money being released or transported. Victims, sometimes even when they have doubts about whether the transaction is genuine, find it hard to walk away due to having already paid over their own money in fees in the enterprise. In the worst cases, victims have paid over hundreds of thousands (and in isolated cases even millions) of US Dollars in such fees before realising or finally accepting that they have been the victim of fraud.

The reality is that there is no hidden fortune. The sender of the email is not a government official or the relative of a head of state. Even if such details were true, the email effectively constitutes a request that the recipient participates in an extremely serious crime. This aspect, or the embarrassment at having become a victim of what with hindsight seems an obvious fraud, often deters the victim from reporting matters to law enforcement authorities in his home jurisdiction or in other relevant jurisdictions.

The senders of the emails are the representatives of highly organised criminal gangs who specialise in this type of fraud, which is known as "advance fee fraud", as it requires the payment of fees in advance on the promise of greater riches in the future. In the worst cases, victims of the fraud have been financially ruined by their participation, resulting in the loss of their life savings, homes and businesses. The stress of such situations has in isolated cases led to divorces and even suicides.

The link to the Isle of Man

The Commission is aware that the banking institutions which spuriously claim to operate from the Isle of Man have increasingly been a recent feature of the 419 Fraud. The vast sums of money promised to the victim of the fraud do not exist, but the illusion is created that the money does exist by placing it in an entirely false bank account at one of the spurious banking institutions, which are represented as internet banks. The criminal gangs who operate the 419 Fraud create websites in the name of the spurious banking institution and instruct the victim to open an internet account there. When the victim accesses the false bank account via the website created by the fraudsters, he sees that the account has been credited by the amount promised, which is generally many millions of Dollars. This helps to persuade the victim that the money does really exist, but more importantly, can give the fraudsters further opportunities to demand more fees for the release of the money from the bank account. The account, just like the money in it, is spurious.

A recent and previously unknown version of the background story to the 419 Fraud is that the member states of ECOWAS (The Economic Community of West African States, a genuine organisation) have resolved to abandon their own national currencies in favour of a common currency, the Euro (the genuine new common currency used by the majority of member states of the European Union). In preparation for the supposed changeover to the Euro currency by the ECOWAS member states, many millions of Dollars have supposedly been discovered in government-controlled bank accounts, and the victim is asked to assist in moving the money as in the other variations of the fraud. This background story is of course completely false.

Any persons who have been approached in relation to 419 Fraud, or who are victims of 419 Fraud, are invited to contact the Enforcement Division on +44 1624 689314 or by email to fsc@gov.im where there is an Isle of Man connection.