

## СЕКЦИЯ 4

# ОБЩЕСТВЕННО-ПОЛИТИЧЕСКОЕ И СОЦИАЛЬНО-ЭКОНОМИЧЕСКОЕ РАЗВИТИЕ СТРАН И РЕГИОНОВ НА СОВРЕМЕННОМ ЭТАПЕ

## АНГЛИЙСКИЙ ЯЗЫК

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### **FINANCIAL PYRAMID SCHEMES: CAUSES AND SOLUTIONS**

#### **Финансовые пирамиды: причины и способы борьбы**

A country's economic security is directly dependent on financial security. Pyramid schemes are a threat to a country's financial security destroying the backbone of its economy by worsening the investment climate, capital flight abroad and increased shadow turnover. Illegal financial activity causes capital flight and affects vulnerable populations. Thus, the object of the study is the pyramid schemes emergence in the Republic of Belarus. Therefore, the aim of the following research is to define the reasons for the existence of pyramid schemes in Belarus and to provide measures to deal with them.

A pyramid scheme is an investment structure for attracting temporarily free funds of the participants, whose income is generated by the investment of new participants. There are the following reasons for the existence of pyramid schemes:

1. Low level of financial literacy of population. Most citizens do not know how to manage their financial sources. Investment projects, currency purchases and other ways of investing money without specific knowledge provoke high risks leading to the creation of new pyramid schemes.

2. Omissions in the legislation for the creation of pyramid schemes. Strict legislation in this area is a must, as it will stop the incentives of some citizens

to organize new pyramid schemes. The organizers of pyramid schemes are constantly improving their activities, which allow them to remain in the market for many years to perform. Obviously, it is obligatory to eliminate pyramid schemes at the stage of their creation.

Nowadays, most pyramid schemes can be found on the internet, which has a negative effect on today's generation encouraging their engagement. The promise of high and rapid returns, bought reviews and social media advertisements motivate people to invest in illegal financial institutions. Financial pyramid schemes prey on depositors of other financial institutions, forcing them to become constant victims of financial pyramid schemes. Pyramid schemes masquerade as investment and management institutions, microfinance institutions and online casinos, claiming high interest rates on deposits and no risk on securities, guaranteeing income and promising to help people with bad credit record.

Experts confirm that promises of high income, the need to attract friends and relatives to the organization, the refusal to receive copies of contracts for research, as well as the lack of a license from the Central Bank, the absence of the company in the Unified State Register of legal entities and individual entrepreneurs should make a depositor worry. However, if a person becomes a victim of a pyramid scheme, one can accomplish the following steps: require financial sources back, apply to law enforcement authorities for a criminal case, draw up a claim and send it to the company as well as address it to the Central Bank.

When it comes to the fight against pyramid schemes, one of the most relevant and promising directions is to tighten legislation, to enforce the control over the activities of organizations registered in offshore zones as well as Internet companies and newly established companies whose organizational and legal form most often meets the requirements of financial pyramid schemes. The law is not the only issue – it is important to carry out preventive work in terms of legal literacy. Every potential depositor should be aware of the financial institution performance and its impossibility to operate and provide any services without a license. Moreover, the documentary proof of professional activity must be visible on the company's website.

Thus, the list of preventive activities undertaken will seriously reduce the performance of fraudsters. Though the pyramid schemes use more sophisticated and insidious methods of disguise annually, the trend against pyramid schemes continues to be positive worldwide due to both the Central Bank's measures and the improvement of financial literacy.