

Recession causing 'rampant Ponzimonium'

by UPI

WASHINGTON -- The recession has caused the unraveling of dozens of financial schemes similar to the one masterminded by New York financier Bernie Madoff, officials say.

So many alleged scams have collapsed that Bart Chilton of the Commodity Futures Trading Commission has dubbed the phenomenon "rampant Ponzimonium," USA Today reported Friday.

The CFTC has filed civil actions in 22 alleged Ponzi schemes halfway into the 2009 fiscal year.

Similarly, the Securities and Exchange Commission has filed more than two dozen emergency enforcement actions since Jan. 1 to halt alleged scams like Madoff's. Ponzi schemes generally offer high returns on investments, but use new investors' money to pay those high returns to earlier investors, while skimming off money for the scheme's operators.

"A significant market collapse tends to unravel Ponzi schemes as investors turn cautious or demand a return of their investment," says Robert Khuzami of the SEC.

This week alone federal or state securities and commodities regulators filed new actions against alleged Ponzi schemes in California, Hawaii and Montana.

The Council of Better Business Bureaus warns consumers that such scams can also be found in cyberspace.

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