

## The Main Characteristics of Ponzi Scams: A Case Study on Israel

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### Abstract

*In the last hundred years, Ponzi frauds have taken place in exactly the same method. The variety of fraud types reflects worldwide the creativity of the fraud initiator, on the one hand, and the motivation of investors for high returns in a short period, on the other hand. The purpose of this article is to analyze the main characteristics of Ponzi frauds and to presents a case study of Ponzi frauds in Israel. To achieve this purpose, a reviewing methodology was established, consisting in main theoretical background, a sample of 30 major Ponzi frauds around the world and a case study on Israel. The main findings are that the most used Ponzi frauds are regarding the use of a false brokerage, both Israel and around the world, while a new trend in Ponzi schemes is the cryptocurrency frauds.*

**Key words:** white-collar crimes, investment fraud, economic crime, global financial frauds

**J.E.L. classification:** D91, E26, K42

### 1. Introduction

Ponzi scams is an investment fraud through which a person, considered an economic criminal, collects money from various individuals and used the funds for personal or illegal purposes, while some of the money are intended to attract new investors. Charles Ponzi developed this type of investment fraud in the 1920s, pretending a 50% return for attracted investors by using their funds in international mail coupons. Investors are stimulated by the promise of a high return without risks or with limited ones. The fraud operator uses a part of the funds from new investors to pay the old ones in order to guarantee the sustainability of fraudulent schemes (Frankel, 2012).

In recent years, Ponzi frauds have seen an increase and it seems that this trend will continue to develop and become a major arena for fraud all over the world. The emergence of new technologies and strategies have helped to hide frauds due to the use of complex technological systems. At the same time, frauds multiply in times of economic instability. For example, the most popular and largest Ponzi scams in the United States, which involve at least 1\$ million that have been alleged by civil or criminal authorities, were recorded during the financial crisis of 2008, such as Madoff's, Thomas Petters and Allen Stanford ones (Iacurci, 2020). In addition, a period of economic uncertainty and changes, due to the global pandemic, creates an opportunity for crooks to flourish. In 2020, for the United States was a 70% increase in income frauds in comparison to the same period in 2019. It seems that the American investors lose more money in investing in Ponzi frauds than any other type of a fraud (Federal Trade Commission, 2020). In December 2020, authorities warned investors against Ponzi schemes, fake certificates of deposit, bogus stock promotions and community-based financial scams due to an increase in complaints about fraud

during the corona crisis (Office of Investor Education and Advocacy, 2020).

In times of crisis, the economic pressure tends to rise. It seems that 42% of the active fraudsters live beyond their means while committing fraud and 26% experience financial difficulty. On the other hand, in times of crisis and recession the existing frauds are revealed. Scams are discovered when cash flows dry up and fraudsters can no longer cover for the money they have stolen (Dorris, 2020). In 2019, the U.S. authorities uncovered 60 Ponzi schemes that were worth \$3.25 billion in investor funds, the highest level of financial fraud in the last decade and since the scams exposed during the financial crisis of 2008. This increase of Ponzi frauds is attributed to the booming stock market and a deregulatory agenda pushing new crooks into this business (Iacurci, 2020). However, the number of Ponzi schemes discovered is low compared to the financial crisis, when U.S authorities uncovered more than 100 cases in 2009 and more than 80 Ponzi scheme per year between 2010 and 2012 (The Ponzi Scheme Authority, 2020).

The paper's objective is to offer an analysis of main characteristics of Ponzi scams considering a sample of 30 major frauds in various countries and a case study on Israel for eight cases. This paper is structured as follows. The second section presents the main approaches and characteristics related to Ponzi frauds. The third section provide an analysis about the Ponzi frauds used in various countries and the case study on Israel. Finally, the conclusions are presented.

## 2. Theoretical background

In order to explain the mechanism of Ponzi frauds, Phelps and Rhodes (2012) resort to the following defining characteristics. The main characteristic of a Ponzi scheme is the payment mechanism of the old investors with sums of money attracted from the new investors. This mechanism involves the use of techniques and tools, such as false statements and documents in order to persuade victims to invest in a new invention, a revolutionary idea or a supposedly successful company, capable of generating very high profits and in a fast time. From here results a second defining feature according to which the fraud operator uses a false identity, pretending himself to be a specialist in business, finance, investment or trade activity, which legally represents or owns a legal company. Properly, the fraudster may be engaged into a company, but to a limited extent or he never conducted such activity. The third defining characteristics is that, after the fraud operator convinced the victims, the investors have deposited their money, while the fraud operator uses the funds for personal purposes. In addition, the apparent business or investment activity of the operator brings low or no profits.

The key to success in managing a Ponzi scheme is the fraud operator and his entrepreneurial ability. Mostly, the offender holds management positions within a legal or illegal company and finds opportunities to do business. Unlike Pyramid frauds, in which members are responsible for recruiting new ones, the Ponzi scheme assumes the existence of an operator or a main group that controls the entire operation (Springer, 2020). Based on the skills of the fraud operator, Bhattacharya (1979) believes that a Ponzi scheme has three components:

- the process of persuading investors by the operator using a supposedly successful idea or invention;
- the promising of high returns and
- the gaining long-term trust when the operator transfers money to investors at an early stage, showing that he is keeping his promises.

Springer (2020) has studied the Ponzi frauds recorded in the United States, using the federal databases. She found almost 1360 Ponzi schemes between 1962 and 2020 and grouped them in three categories, according to Table 1. Some of these schemes belong to more than one group.

Table no. 1 Ponzi schemes according to Springer (2020)

Main group	Scheme type	Cases in the USA
Intentionally committed	Affinity fraud	133
	False brokerage	400
	Cryptocurrency	Under 20
Unintentionally committed in the first place	Brokerage failure	74
	Business failure	54
Either intentional or unintentional committed frauds	Hedge funds	29
	Commodity pool	56
	Feeder funds	27

Source: own adaptation based on Springer (2020).

Most of the Ponzi frauds are committed intentionally, the fraudsters being described as sociable and charismatic, acting according to a well-defined plan. They use false documents, reports and financial statements to represent a credible and successful business in order to lure victims. However, authorities detect these types of Ponzi schemes in relation with other illegal practices such as money laundering, tax evasion or unlisted shares (Bar Lev, 2022). The main intentionally committed Ponzi scams are related to affinity fraud, false brokerages and cryptocurrency.

Fraudsters use the affinity frauds, also known as 'community-based fraud', on people with which they identify. Victims trust in the fraud operator due to the common elements between them in terms of nationality, ethnic origin, religion, profession and other elements. Most of them are recorded within religious organizations (religion-based) or between immigrant's communities. However, often there is a double relation between parts, such as religion with nationality or ethnic origin with profession. Most of the affinity frauds reviewed by Springer (2020) are regarding religion (91), followed by nationality (45) and ethnic origin (25).

On the other hand, false brokerages are illegal investment houses that were not registered. However, the fraudsters present it as licensed by authorities, while they are licensed investment advisors or traders. Almost 12% of the fraudsters from the sample reviewed by Springer (2020) are legally registered.

A new trend is taking place in the world, considering that in recent years there has been an increase in virtual currency fraud (Bitcoin and others). The world of cryptocurrencies, which are currently traded without regulation, is a fertile ground for the growth of frauds. The method is the same, but the arenas are new and the potential for loss is higher. Cryptocurrencies have grossed \$4.3 billion in digital money in 2019, more than three times as much as in 2018 has. The fraudsters are taking advantage of the fact that many people are not yet familiar with the different types of currency and are selling counterfeit currencies and services. The various types of frauds include fake token sales, blackmail frauds, and fake services. However, Ponzi frauds are the most common and cover 92% of the stolen funds (Orcutt, 2020).

Cryptocurrency is seen as Ponzi scheme because involves illegal currencies not produced and not guaranteed by governments. Being an artificial and decentralized market, cryptocurrency offer high opportunities for Ponzi frauds because investments are made anonymously through online platform and there are no authorized agencies that supervise the operations.

In the crypto world, the offer is to invest in a virtual currency, when the basis is actually a Ponzi one. Crooks use technological innovation to entice investors. These frauds are committed through trading on a conventional online stock exchange including in dollars, or through trading and purchasing products or services online. The increasing use of virtual currencies in the global market may be a convenient ground for crooks to entice investors quite easily to invest in fabricated transactions. The asset offered for investment has changed from a security to a virtual currency when, in practice, there is really no investment, and the method of fraud is the same. The change in the face of the Ponzi schemes also include the absence of the charismatic investment manager; everything is conducted online, without the need to invest in an 'image'. So far, in the crypto field, there has not been an investment manager, who seduced investors, but the principle is similar, with the currency buyers buying the currency in hopes of finding in the future others individuals, who will buy it from them at a higher price than they bought (Office of Investor

Education and Advocacy, 2013). Another fraud based on technological innovation involves unregistered websites that call themselves 'investment funds' or 'trading sites' that guarantee an extreme return through obscure strategies (Lyman, 2021).

On the other hand, Ponzi frauds committed unintentionally in the first place involve a legal and successful business or investment house that experiences financial problems at some point. In this situation, the operator starts to search solutions and decides to survive by committing fraud. Even if the fraudsters are aware by their illegal practice, they assume that they will make large profits in a short period and are then able to return the money to the victims (Dorminey et al., 2012). Here there are Ponzi scams following a failed investment house and those following business-failure. This is typical for business entities and investment houses that encountered problems during to the financial crises or previous financial events. In the business-failure situation, most of the companies are active in real estate and mortgage industries. Before becoming a Ponzi scheme, these companies made profits, but the frauds are developed during a real estate bubble or a financial crisis. The fraudsters are authorized and borrow funds from new victims in order to continue the business and to pay the old investors (Bar Lev, 2022).

Nevertheless, there are cases when the Ponzi frauds can be defined in either intentional or unintentional committed frauds. In this category, hedge funds, commodity pools and feeder funds are included.

Hedge funds and feeder funds are legal investment entities. In both cases, the victims' money are deposited in a common fund. The level of gain or loss for each participant is determined according to the amount of money deposited. The level of risk is high because these funds are sensitive to financial market fluctuations, while many of them do not function because the required level of capital has not been reached (Johnson, 2010). In the case of hedge funds, the financial status of investors matters, a high entry threshold being settled. The feeder funds are actually a fund of funds, with a complex set up so that people, who invest in such funds, as well as the owner, are not even aware that it is a Ponzi scheme.

Commodity pools are similar with hedge funds in terms of the relationship between the percentage of investment and the level of earnings for investors. The distinction is that for commodity pools there are no minimum requirements for participants (Bar Lev, 2022).

### 3. Research methodology

In order to conduct this paper, a black letter research method was used. This method involves a descriptive and detailed analysis of the main theoretical background regarding the characteristics of Ponzi schemes found in primary and secondary sources (reports, cases, newspapers and articles). The first step of this method is to collect, systematize and describe the main theoretical background regarding the characteristics of Ponzi schemes. Then, the second step involves identifying and describing the underlying theme by providing a sample of 30 major Ponzi frauds around the world and a case study on Israel. In this way, by using examples and case studies for different countries, especially Israel, it shows how Ponzi schemes are happen into practice.

### 4. Findings. Ponzi frauds in Israel and around the world

A sample of 30 Ponzi scams from various countries was analyze in order to highlight the main types of Ponzi frauds used around the world, each continent having at least one representative. Analysis of various Ponzi frauds at international level has shown that most of these frauds are intentionally committed, according to Table 2.

*Table no. 2 Ponzi frauds around the world*

Type	Countries	Ponzi fraud name	Fraud operator
Affinity fraud	Gabon	BR SARL	Yves D. Mapakou
	USA	Greater Ministries International;	Gerald Payne
		The Investment Club;	Reed Slatkin
		Capital Financial Partners	Will D. Allen

		Trickling Springs Creamery	Philip E. Riehl
False brokerage	Kenya	Amazon Web Worker	Stacey M. Parker
	New Zealand	Financial Planning Ltd.; Breathe Financial Ltd.; Impact Enterprises Ltd.	Barry Edward Kloogh
	Nigeria	No Burn Global Limited	Umanah E. Umanah
	Romania	Caritas	Ioan Stoica
	Scotland	Midas Financial Solutions	Alistair Greig
	USA	Petters Company Inc.	Tom Petters
		American National Investments	Gina Champion-Cain
		Madison Timber Properties	Ted B. Alexander; Jon D. Seawright
Cryptocurrency	China	Plus Token	Zhao Don
	Bulgaria	OneCoin	Ruja Ignatova
	Singapore		Fok Fook Seng
	Mexico		Brito and Ignacio Ibarra
	Philippines	Forsage; Million Money	Lado Okhotnikov
	South Korea	Futurenet	Stephan Morgenstern; Roman Ziemian
	USA & India	Bitconnect	Satish Kumbhani; Trevon Brown; Craig Grant; Ryan Maasen; Michael Noble
Business-failure	USA	Rothstein & Rosenfeldt	Scott Rothstein
	Russia	MMM Cooperative	Sergei Mavrodi
Hedge funds	China	Ezubao	Ding Ming
	Romania	National Investment Fund	Sorin O. Vintu
	USA	Bernard L. Madoff Investment Securities	Bernie Madoff
	USA	Stanford Financial Group	Allen Stanford
Commodity pool	Colombia	DMG	David Murcia
	Canada	Brookshire Raw Materials Management	John M. Marshall; Stephen Adams
	USA	The W Trading Group	Larry R. Mendoza
		LNA Associates	Gregory Altieri
Feeder funds	USA	GMB Capital Management	Marco Bitran
		Tate Street Trading Inc	Leonard Cipolla

Source: own processing.

The sample used reveals three types of intentionally committed Ponzi frauds, such as affinity fraud, false brokerage and cryptocurrency. These frauds were committed in countries from almost all continents, except South America. Ponzi scheme based on false brokerage are the most common fraud committed at international level; almost a quarter of the sample are of this kind. In addition, the sample shows the new trend of Ponzi scams based on cryptocurrency for various countries, while the OneCoin case was developed in three countries from three different continents. In general, cryptocurrency frauds transcend the barriers of a country, considering the emphasis on technology and online trading platforms. These finding is to extent in line with Orcutt (2020) and Lyman (2021), revealing an increase in cryptocurrency frauds and the frequent use of trading websites.

On the other hand, the sample contains some cases of unintentionally committed frauds in the first place. The Ponzi schemes based on business-failure were discovered in the United States and Russia. In addition, there are some cases of either intentional or unintentional committed frauds, such as hedge funds, commodity pool and feeder funds.

These findings are to some extent in line with Springer (2020), which presents different types of intentionally, unintentionally or both cases of Ponzi scheme in the United States. The sample used in this study includes the typologies surprised by Springer (2020), except for the Ponzi schemes based on brokerage-failure.

Half of the Ponzi scams studied in the sample are from the United States, taking into consideration the high income of population, along with the desire to get rich at a fast pace that have become a major driving force in American society. In addition, according to Table 2, men commit most of the Ponzi frauds, while women resort to cases of frauds based on false brokerage (Gina Champion-Cain with American National Investments) or cryptocurrency (Ruja Ignatova with OneCoin from Bulgaria).

The case study on Israel reveals that most of the Ponzi frauds committed here or by an Israeli fraud operator are based on false-brokerage, affinity or related to real-estate and trading.

Although regulators around the world have pushed for the regulation of investment portfolios, in Israel there is still no significant progress on the issue. The prevailing opinion in Israel is that despite artificial intelligence and technological tools, the most effective way to avoid a Ponzi scheme is through a warning to investors. Most frauds in Israel are based on a portfolio manager or an expert with multiple skills who presents clients with exceptional performance. In times of economic prosperity, the scam reaches its peak because it is easy for the fraudster to attract investors, but in times of recession everything collapses because investors want to sell and withdraw their investment and thus the scam is exposed (Boaz, 2019).

The largest fraud in Israel, which encompassed about 500 million of Israeli New Shekels (NIS), was exposed in 2021, when it became clear that the investment company EGFE deceived about 1,000 investors for 15 years. For 15 years, EGFE, controlled by Michael (Mike) Ben-Ari and his brother, was presented to the investors as an international company, offering financial services and solid and safe investments, with positive returns to more than 800 customers from Israel and around the world. In the marketing videos presented, Ben-Ari stated that the company manages \$60 million for one thousand customers. The victims claim that other people, who worked in his office, including the office's director and the firm's investor relations manager, also assisted Ben-Ari. The Ponzi scheme focused primarily on investments in municipal bonds issued in the United States by states or cities. According to the victims, Ben-Ari created a cover story, according to which his investments succeed in generating high profits, and that their money is invested in American funds such as the 'Blue River' fund, which allegedly operates from Colorado USA. In retrospect, it became clear that this fund had severed ties with Ben-Ari. Scheme was discovered when Israeli authorities began scrutinizing Ben-Ari's actions and in April 2021 Ben-Ari has arrested and released to house arrest after he posted a deposit of a bank guarantee for 2 million shekels. However, its fraud is compared with the Madoff's scheme from the United States (Birdy, 2021; Staff, 2021).

This Madoff's fraud is considered the largest Ponzi scheme in history, managed by Bernie Madoff between 1970 and 2009 in the United States through Bernard L. Madoff Investment Securities. He promised investment returns of almost \$50 billion in all, based on falsified account statement. He developed a pyramid investment strategy, through which he simply deposited investors' funds in a Chase bank account, paying off new customers with funds from earlier customers and providing his clients with falsified account statements. The scheme was discovered during the financial crisis of 2008, when Madoff could no longer maintain the scheme due to growing redemption requests from his clients. His sons denounced him to the U.S. authorities, after he confessed to them that the business is a fraud. Almost 37,000 of persons were victims of this fraud, reaching an economic loss of \$65 billion (Boaz, 2019; Henriques, 2021).

Beyond these biggest frauds, the following is a review of the largest Ponzi frauds in Israel.

*Rosenftgazinvest* was a company founded by Gregory Lerner through which he managed a Ponzi fraud. Between 2004 and 2006, Lerner introduced himself as a trader specializing in fuels and international trade. He deceived almost 2500 people by an affinity fraud scheme while, together with Smolnyanicki and Boris Bobanov, they set a plot to persuade former USSR immigrants to invest huge sums of money in *Rosenftgazinvest*. The funds was stolen using cover companies and bank accounts in Israel and abroad, hiding and covering the source of the funds and their movement. Lerner and his partners made false registrations and fictitious actions worth tens of millions of shekels. Lerner and his partners launched an extensive campaign that included so-called 'profile' and 'investigative' articles as well as advertisements, which presented them as if they were linked to the leading Russian state-owned companies in the industry, such as Gazprom (Russia's largest oil company) and Rosneft (the fifth largest Russian oil company). Lerner deceived his

investors when he claimed that Rosenftgazinvest was an attractive investment, according to which each investor could receive a monthly interest return of 2% on the original investment amount, but for those who are patient and wait a year, an interest rate of 29% per year would be guaranteed. Only after Lerner fled the country, the former USSR immigrants realized that he had deceived them, generating an economic loss of 62 million NIS. At the end of 2006, Lerner was convicted of money laundering, receiving something fraudulently and forging documents, after defrauding businesspersons and fraudulently extorting money from them when he set up companies in Switzerland and Latvia under names similar to well-known gas and oil companies. He has sentenced to 10 years in prison (Maanit, 2010).

Another affinity fraud was committed in Israel by Ilan Morgan, formerly known as Ilan Mika Arbel, through *Apollo Investment House*. If Gregory Lerner developed an affinity Ponzi scheme based on nationality, Ilan Morgan used religion as instrument. He deceived ultra-Orthodox investors from Israel between 2011 and 2012 and promised them a return ranging between 24% and 36% per year without risk, after he presented himself as having an affiliation with rabbis. Morgan stole almost 2 million shekels from customers, using some of the funds to pay the old investors and most of money for private and business proposes. The Israeli authorities stopped the fraud following the revocation of the company's portfolio management license. He was arrested in 2013 because of giving his portfolio manager false information about Canadian companies that were affiliated with him (Tucker and Maoz, 2009; Ganun, 2015).

*Eran Mizrahi Finance and Investments* was a company founded by Eran Mizrahi through which he developed a Ponzi scheme based on false brokerage between 2007 and 2012. In order to attract the funds, Mizrahi used false presentations and documents, presenting himself as a successful entrepreneur, owning an investment company specializing in foreign exchange and in accompanying client portfolios in the currency market through leading banks in Switzerland. He promised monthly returns of at least 1% to 1.5%. Mizrahi falsely stated that the company reaps high regular returns to its clients with a solid investment profile, while making false promises that the funds will be used in foreign exchange investment channels at a bank in Switzerland. During the 2007-2012 period, Mizrahi used the funds for personal needs. Mizrahi fraudulently gained the trust of the victims, appeared before them as someone who specializes in foreign exchange investments that manages to yield high returns. In order to illustrate his success, he presented his luxury apartment and cars, while he used to invited some investors to restaurants, using the attracted funds. The fraud case was discovered on May 29, 2012, when a number of investors came to the police who realized that they had fallen victim to a sophisticated fraud. Eran Mizrahi has sentenced to 12 years in prison, while its fraud has determined an economic loss of 57 million shekels (Zeiger, 2012; Guetta, 2013; Levy, 2016).

*Shimon Tsabar* was a fraud perpetrator that developed a Ponzi scheme between 2010 and 2011. He deceived 44 people and generated an economic fraud of almost 20 million NIS using a Ponzi scheme based on false brokerage. Tsabar presented customers with many false presentations, including false collateral and false bank guarantees of millions of shekels. In practice, he deceived the victims and used the funds for himself and some of them as investment profits to pay other investors in order to attract more funds. The police and fiscal authorities arrested Tsabar in March 2011 following an investigation. During the investigation, authorities received complaints from 42 different customers who claimed to have defrauded them. Tsabar has sentenced to 8 years in prison (Ganun, 2014).

*Utrade* was another Ponzi fraud from Israel that managed to sell the illusion to investors. The company acted contrary to the purpose for which the customers' money was deposited in the trading account, and contrary to the presentation made to investors. Between 2012 and 2015, Aviv Talmor used Utrade to attract investments from about 600 Israeli investors, creating an economic fraud of about 77 million NIS, the equivalent of \$22 million. He promised two major advantages to its customers; high profits (annual return around 15-20%) through an algorithmic trading program own by its company and the possibility to withdraw their funds by express request within 7-10 days. More than half of the money was not used for trading at all. Talmor reached out to these funds and used them systematically and deliberately to finance various expenses of the Utrade, as well as to establish a branching network of forex and binary options companies around the world. The fraud was discovered when the Israeli authorities froze the company's activities at the end of

2015 and discovered that its accounts had only 300,000 shekels. The suspicion arose given that a fraud of this magnitude could not work without inside cooperation. About 20 employees, including sales managers, were questioned with a warning in the case on suspicion of committing fraud and breach of trust, unlicensed investment management and money laundering. Talmor succeeded to leave the country in 2015, but he returned after a year and was arrested (Weinglass, 2018; Ganun, 2019).

*Inbal Or* was considered one of the leading forces in the field of real estate groups. She founded Or City Real-Estate, a real-estate activity that mainly sold the right to an apartment and not the actual sale of an apartment. For the 'right' to the apartment, the customer paid 100,000 shekels. In this way, Inbal Or generated an economic fraud of 10 million shekels between 2008 and 2016, without offering any guarantee or security to customers. The fraud was discovered when Inbal Or got into a legal entanglement in February 2016, when it was called in for questioning by the tax authorities on suspicion of tax evasion. The court later ruled that Or City Real-Estate was conducted according to a Ponzi scheme. In April 2016, an order was issued to liquidate all the companies it owns while in July 2018, the company was declared bankrupt (Gazit, 2016; Winer, 2019).

*Rubicon Business Group* and the non-bank finance firm Kela Fund were two instruments through which Amir Bramley developed Ponzi schemes between 2012 and 2015. Bramley was convicted of investment fraud after guaranteeing investors a high return without practical feasibility and misleading them. He purchased failed companies and withdrew funds for his private use. The fraud was discovered following an investigation, considering that Israeli authorities suspected that the number of investors reported was much smaller than the number of actual investors. Bramley was convicted for 10 years in prison of offenses committed in the years 2012-2015: theft by a licensee investor, money laundering, fraud and breach of trust. The economic fraud involved almost 340 million shekels, while the number of victims reached 550 persons (Shafir, 2021).

## 5. Conclusions

Over time, Ponzi frauds have taken place in exactly the same method and there are one of the major threats to citizens.

One of the main findings of this paper is that Ponzi frauds are performed in countries on all continents, while most of the Ponzi frauds at international level are intentionally committed, such as affinity fraud, false brokerage and cryptocurrency. In addition, another finding is that the most recorded Ponzi frauds are based on false brokerage. However, there is a new trend of Ponzi scams related to cryptocurrency and online trading platforms, considering the technology used and the possibility of committing such fraud beyond the borders of a single country.

Another result of reviewing Ponzi schemes around the world is that most of these frauds are recorded in the United States, in most cases being initiated by men.

For Israel, the case study of Ponzi frauds suggests a preference for scheme based on false-brokerage, affinity, hedge funds or involving trading and real estate. Men performed most of them, while only one case from the sample involve a woman. Mike Ben-Ari managed the largest fraud in Israel, being considered the 'Israeli Madoff'.

The results are important in the context in which most of the Ponzi frauds are committed during an economic period of uncertainty, such pandemics, economic crises or wars. Growing financial regulations and deeper and aware information about such frauds can lead to a decrease of Ponzi schemes and a reduction of economic losses. Thus, it becomes justifiable the need for a financial regulatory framework and for specialized authorities in each country and at international level. The Ponzi frauds have potential for future growth. Therefore, countries must find solutions to improve their national financial security to these situations, but also tools to reduce these frauds among citizens.



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