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MMM Expanding Globally

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Founder of the MMM financial pyramid Sergei Mavrodi is testing the waters on global markets, having recently launched similar schemes in India and the United States.

Mavrodi, who cheated millions of small investors in Russia in the 1990s, launched his Indian enterprise about a month ago, and it has already attracted a few thousand investors, his representative in India, Alexei Muratov, said Friday.

The average investment is $1,000, he said by telephone, declining to provide an exact number of investors or the overall amount of money invested.

"India has always been a strategic partner" for both the Soviet Union and Russia, Muratov said, explaining why Mavrodi had chosen to set up shop there.

Mavrodi's Indian vehicle offers investors a lucrative deal: buy his virtual currency, called MAVRO, while "lying quietly on the couch, and watch as it grows in "price" at a rate of up to 30 percent a month," according to the website MMM India.

But to avoid possible claims by disappointed investors, Mavrodi warned that his foreign enterprise is a financial pyramid.

"Taking part in it, you are at extreme risk and may lose, at any moment, all your money," he wrote on the website.

Mavrodi couldn't be reached for immediate comment Friday.

But Mavrodi's brainchild is unlikely to face a rosy future in India due to strict financial market regulations and the limited disposable income of potential investors, experts said.

Judging by the average investment size, the scheme apparently targets representatives of the middle and upper-middle class, like engineers, doctors and military personnel, said Peter Topychkanov, an expert at the Carnegie Moscow Center.

But those investors are unlikely to be interested because they are "well-educated and rather conservative" and therefore loath to go for such a risky venture, he said, adding that Mavrodi's most likely clients, who represent the lower classes of society, can't afford such a big investment.

Indian law considers pyramid schemes a financial fraud, with organizers facing a fine or a prison term, said Dilip Jain, a partner with Global Jurix, a law firm headquartered in New Delhi. They also might be banned from accessing the country's capital market, he said in e-mailed comments.

"Keeping in mind the modern ... regulatory supervision in India, it would be difficult for Mr. Mavrodi or anyone else to run a financial pyramid scheme per se," Jain said, adding that the country's financial market is regulated by the Securities and Exchange Board of India.

Although pyramid schemes are rather uncommon in India, a few scams that have come into the spotlight over the last few years managed to raise millions of dollars in investment.

The overall amount contributed by investors in 2003, for example, exceeded 1 billion Indian rupees ($18 million), Jain said, citing the figures of the Indian Direct Selling Association.

MMM India doesn't have to report to the Indian financial authorities, as it hasn't obtained official registration and is an informal community fighting against global financial institutions, represented by "a bunch of bankers who rob the world," Muratov said.

But Mavrodi's business in India is unlikely to "avoid the authorities' attention," Topychkanov said.

"They need people in order to develop, and in order to attract people they need popularity," he said.

While Mavrodi acts overtly in India, his followers went into hiding in the U.S., which is "a nest of our opponents," Muratov said, referring to the Federal Reserve System.

The number of MMM investors across the world has reached 35 million, he added.

Mavrodi, who served 4 1/2 years in prison for defrauding an estimated 10 million to 15 million Russians in the mid-1990s, announced in June that he had to shut down the MMM-2011 pyramid scheme he had launched last year. But he said he had started MMM-2012 to cover the losses investors incurred in the previous scheme.

The Tomsk regional prosecutor's office said Friday that it is investigating local offices of MMM-2011, which presumably had raised money illegally, RIA-Novosti reported.

Muratov, who also oversees MMM-2012, said it is "fully functional" and legal, as people are being told about the essence of the scheme and warned "that they can lose money."

Authorities have launched a campaign against organizers of financial pyramids. The initiative to ban such schemes was first voiced by State Duma deputies early last year, followed by a proposal by the Finance Ministry in May to introduce criminal liability for organizers of such schemes.

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