The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russians Warned Against Pyramid Schemes as 1990s Fraudster Remerges

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February 10, 2015



Sergei Mavrodi

The Central Bank on Tuesday warned people to steer clear of pyramid schemes as one of the country's most infamous fraudsters reemerged to prey on Russians struggling with a worsening recession.

Notorious swindler Sergei Mavrodi this week sent out mass messages to Russian mobile phone numbers promising "salvation from the crisis," returns of up to 30 percent per month and a $100 gift for investors in his MMM scheme.

The message, which was received by at least ten people in The Moscow Times' office building, provides links to MMM's website and a Youtube video in which Mavrodi says: "You'll remember your life before MMM like some sort of nightmare."

With soaring inflation eroding real wages and recession closing in, many Russians may be

tempted by the sky-high returns. Some 15 million Russians invested in Mavrodi's first MMM fund in the mid-1990s. Many lost everything when the pyramid scheme — when old investors are paid with the money of new arrivals — collapsed in 1997.

This week's relaunch prompted a reaction from the Central Bank, which on Tuesday issued a warning advising Russians to avoid "financial projects" based on digital marketing and pyramid schemes that have "aggressive advertising."

Mavrodi was placed on the wanted list after MMM's demise caused mass outrage. He evaded arrest until 2003, when he was convicted for four and a half years in prison for criminal fraud.

Prison did not chasten him. He has repeatedly revived MMM since his release and claimed the original fund would have delivered on its promises to all investors if the government had not closed him down.

Mavrodi has launched the pyramid scheme in other countries and says it has more than 138 million participants worldwide.

A law banning pyramid schemes was introduced to parliament last year but its passage has stalled due to the difficulty of defining a financial pyramid, according to Russian business daily Vedomosti.

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Original url:
https://www.themoscowtimes.com/2015/02/10/russians-warned-against-pyramid-schemes-as-1990s-fraudster-remerges-a43766